EAST CAMBRIDGESHIRE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2015/16

Contents

Annual Financial Report

Narrative Report

By the Director - Resources

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2015/16 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2016.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2015/16.
- The Financial Statements
- Technical information

Commentary and review of 2015/16

Review of the Year

2015/16 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue. However, our strong Medium Term Financial Strategy (MTFS) etc., has enabled balanced budgets to be set for 2016/17 and 2017/18.

The Council set a net budget for the year of £8.481m (2014/15; £8.789m), a net decrease of £0.308m (3.50%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £1.787m (2014/15; £2.513m),
- Business Rates Retention scheme (NDR) of £2.477m (2014/15; £2.297m),
- New Homes Bonus £1.751m (2014/15; £1.430m),
- Collection Fund surpluses of £199,500 (2014/15; £16,000)

and the net use of revenue reserves of £346,093 (2014/15; £30,180), this left the Council to raise £4.017m (2014/15; £3.963m) from Council Tax. This equated to a Council Tax of £142.14 (2014/15; £142.14) for a Band D equivalent property, freezing the Council Tax for the second year in a row.

Review and Commentary on the Council's services and performance during 2015/2016

In 2015, the Council agreed a new Corporate Plan which provided a vision for the future 2015-2019.

This vision is supported by two overarching Corporate Objectives;

- To be financially self-sufficient and provide services driven by and built around the needs of our customers,
- To enable and deliver commercial and economic growth to ensure that East Cambridgeshire continues to be a place where people want to live, work, invest and visit.

Within the Corporate Plan, there consists a suite of priorities across 6 areas;

(1) **Delivering a financially sound and well managed Council** - A customer driven efficient Council with a "can-do" attitude and pro business approach and commercially focused to ensure financial self-sufficiency for the taxpayer**.**

(2) Genuinely Affordable Housing - Genuinely affordable housing by local people for local people.
(3) A fantastic place to live - making East Cambridgeshire an even better place to live.
(4) Improving local transport - Making it easier to get around the District and do business.
(5) Improving local infrastructure - Appropriate developments with better infrastructure and improving Planning Service.
(6) New jobs and funding – Driving economic success by creating the infrastructure and create jobs.

Under each priority is a number of performance targets detailed below, with explanations on how the Council has performed against these over the past 12 months.

Delivering a financially sound and well managed Council

Target - Local residents will continue to receive high quality Council services without the increase in Council Tax during 2016/2017.

As part of this commitment Council Tax was frozen for 2016/17.

Target - The Council will deliver a programme of work to ensure customers receive high quality services to meet your expectations.

The Council ensures that our programme of work is driven, designed and delivered with our customers to provide high quality outputs which are focussed on their needs.

We undertake regular consultation exercises with our customers to understand their requirements in order to forward plan our work effectively and build our services with regards to need.

Target - The Council will deliver a self-sufficiency programme with a balanced budget and efficiency savings**.**

The draft MTFS was approved by Full Council in February 2016 and demonstrates the robust mechanisms in place to achieve a balanced budget. Prudent financial forecasting and proactive actions taken by the Council has meant that the financial health of the authority is strong.

In addition, as a result of proactive management action, the cost base of the Council continues to be reduce leading to an underspend in 2015-16 of £1.6m. Further, more detailed explanation of the current financial status of the authority will be shown in the main body of the report.

Target - Performance Related Pay will be implemented by 2016 along with proposals to encourage innovation and high quality services.

The Council has successfully introduced Performance Related Pay. A programme of training sessions were organised for all line managers which looked at supporting the development of effective target setting for their team and clear guidance has been provided for all officers to ensure that they understand the new appraisal system.

Target - The Council will establish a Local Authority Trading Company.

The Council has successfully established East Cambs Trading Company Limited. The Business Plan, terms of reference, governance arrangements; including specific roles and responsibilities, have been agreed by Members.

East Cambs Trading Company Limited will support the commercialisation agenda by delivering Commercial Services and developing both Open Market and Community Land Trust houses.

Target - The Council will carry out a review to ensure policies and procedures are streamlined and efficient.

A number of policies throughout the Council have been renewed and/or refreshed. This will continue to be a priority moving forward.

Genuinely Affordable Housing

Target - The community-led, Stretham and Wilburton Community Land Trust will increase infrastructure to include; the completion of 15 affordable homes, a new GP surgery and business premises etc.

The Council has to-date supported 3 Community Lands Trusts; in Stretham & Wilburton, Swaffham Prior and Soham. There are 15 new affordable homes currently under construction in Stretham.

Target - The community-led Swaffham Prior Community Land Trust will build 8 affordable homes and will identify additional infrastructure to sustain healthy and economically diverse communities led by local residents.

The Council has supported the CLT in Swaffham Prior and the community have completed 8 new affordable homes and they are all now occupied.

Target - The Council will support local Community Land Trusts to scope community-led development opportunities through a dedicated programme delivered through the Council's Trading Company.

East Cambs Trading Company Limited are currently working with various CLT's to provided support to deliver community land trusts. This support is tailored to the needs of each individual CLT.

A fantastic place to live

Target - The Council will achieve a 60% recycling rate through the "It Pays to Recycle in East Cambridgeshire" campaign and ensure our streets are left tidily after bin collections.

The Council's campaign is continuing to work towards the 60% recycling rate. The current recycling rate stands at 57% and through dedicated ongoing work through the "It pays to Recycle in East Cambridgeshire " campaign we are on target to meet a 60% recycling rate.

Target - The Council will work with partners to build a new Multiplex cinema in Downham Road, Ely.

The Council is continuing to work with partners to build a new Multiplex cinema in Ely. It is envisaged that this will open in the Spring of 2017.

Target - A new District leisure centre will be built which supports the health and well-being of our customers.

Planning permission has been secured for the development of the new District Leisure Centre. A contractor and operator have now been appointed and it is envisaged that works will commence in autumn 2016.

Target - We will work with three existing Community Leisure Trusts to develop performance improvement plans to support the delivery of a district wide indoor sports facility strategy.

The three Community Leisure Trusts have been receiving ongoing support from the Council. They are currently looking at various options.

Improving local transport

Target - The Southern Bypass in Ely will be completed which supports the local economy, eases congestion and reduces waiting time for motorists.

The business case is currently being approved and all partners are awaiting the results of the tender process.

Target - The Council will guarantee free car parking in the city and town centre car parks, encouraging more visitors to the district and continuing to help increase the local economy.

The Council has ensured that all visitors will continue to have access to free parking in the city and town centre car parks. This commitment has been enshrined in the Council's constitution.

Target - The Council will complete the feasibility study and funding strategy at Ely and Littleport stations ensuring commuters have sufficient parking.

There have been ongoing discussions regarding land acquisition and the Council is committed to ensuring commuters have sufficient parking at both Ely and Littleport station going forward.

Target - The Council will work with partners to identify potential roundabouts and where appropriate new lanes for improvement to support traffic flow and reduce congestion.

The Council continues to work proactively with partners, including the County Council Highways Department, and our customers to help improve traffic flow and reduce congestion.

Improving local infrastructure

Target - The District has a Local Plan which will ensure the efficient use of land and secures future development which is sustainable and delivers what our communities want to see.

The main focus of work over the last year has been centred on developing a new Local Plan for the area. The Preliminary Draft Local Plan, and supporting evidence, has been consulted on and ongoing preparation of the Local Plan will be the focus looking forward into the next financial year.

Target - Residents and visitors to Soham have a station which supports the local economy, reduces congestion on roads and increases employment opportunities.

Current options are being explored with partners including, Network Rail, Cambridgeshire County Council and the Greater Cambridge Greater Peterborough Local Enterprise Partnership. A working party has been set up with the relevant partners, Members and Officers to monitor and assess the progress of this project.

Target - An improved Station Gateway in Ely will reduce waiting times for visitors and commuters, increase employment opportunities, provide economic growth, improve customer satisfaction levels and encourage more people to visit the district.

The Council continue to work with the relevant stakeholders to bring about the ambition of developing the Station Gateway site.

Target - The development in North Ely will ease housing shortages, increase economic growth and employment opportunities.

The Council continues to support the development in North Ely. We continue to provide planning advice and work proactively with partners, including The Department for Communities and Local Government and developers, to ensure the successful delivery of the scheme.

New jobs and funding

Target - 8 new apprentices will have improved routes to employment by March 2016.

The Council has successfully met this target and continues to work with local employers to help secure additional apprenticeships to support routes to employment for young people.

Target - Our Investment Programme, funded by the Business Rates Retention Scheme, will provide new opportunities which supports economic growth in our District.

The Investment Programme consisted of a number of economic development projects;

- Enterprise East Cambridgeshire web platform and branding.
- Enterprise Zone submission for Lancaster Way Business Park.
- Skills development with local partners including GCGP LEP and Ely Chamber.

These projects have all contributed to supporting economic growth in the district.

Revenue Spending and Sources of Income

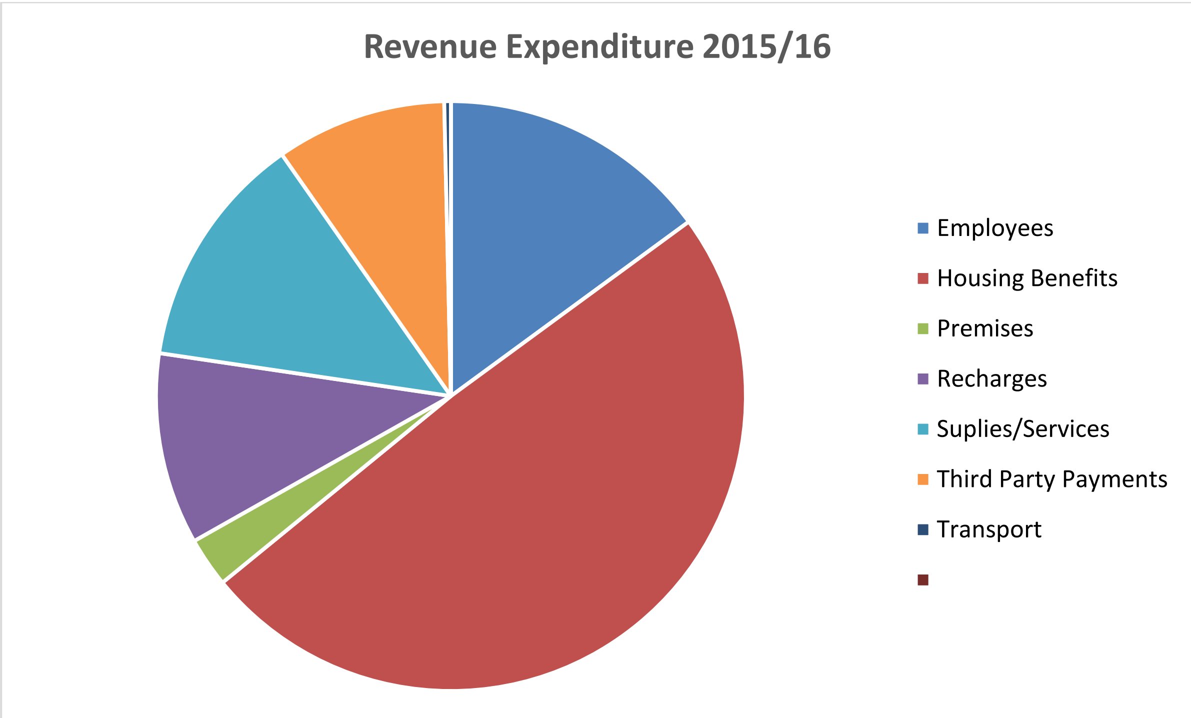
The Table below sets out the Council's budget for 2015/16 and how it performed against this and details out the main sources of income the Council receives to pay for its services.

	Budget £000	2015/16 Outturn £000	Variation £000
Service			
Corporate Governance & Finance	286	312	26
Regulatory and Support Services	6,564	5,533	(1,031)
Commercial Services	1,631	1,352	(279)
Net Revenue Expenditure	**8,481**	**7,197**	**(1,284)**
Financing			
Council Tax	(4,017)	(4,017)	0
Non-Domestic Rates	(2,477)	(2,569)	(92)
Collection Fund Surpluses	(200)	(203)	(3)
Revenue Support Grant	(1,787)	(1,787)	0
Total Financing	**(8,481)**	**(8,576)**	**(95)**
Transfer to Surplus Savings Reserve	**0**	**(1,379)**	**(1,379)**

The Council's outturn position was originally reported to Corporate Governance and Finance Committee on 30th June 2016; further detail on the reasons for year end variances can be found in this report, for both revenue and capital.

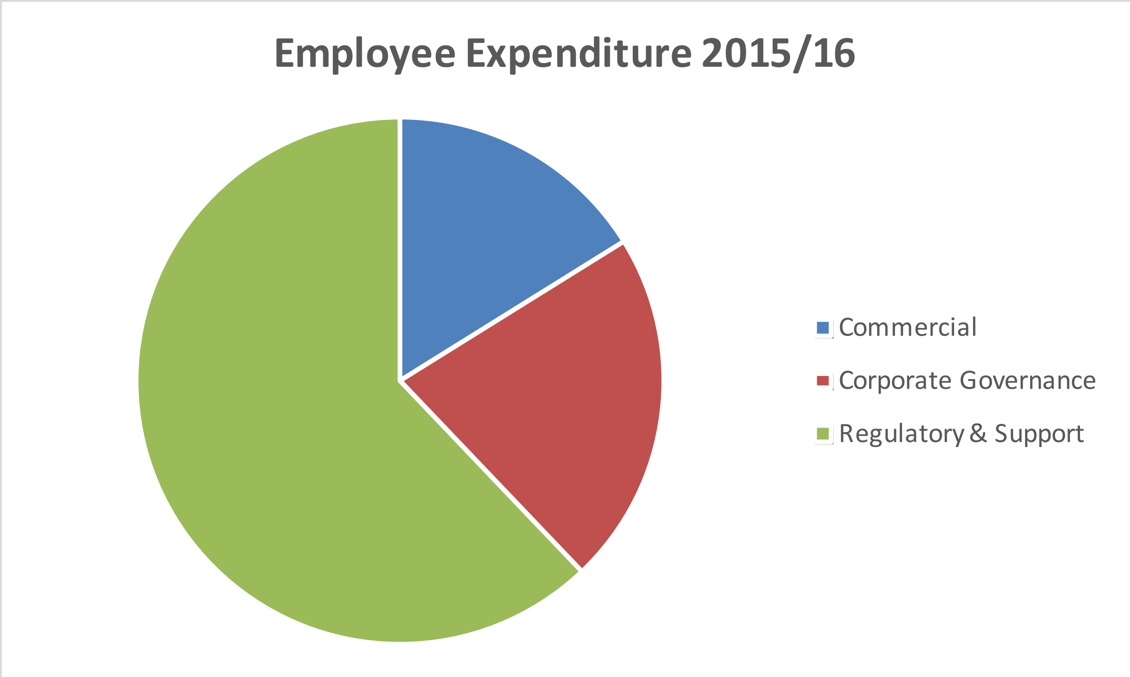
Analysis of Revenue Income & Expenditure

The Council spent £40.444m in 2015/16 and the chart below shows the type of expenditure this was spent on.



Employee Expenditure

As can be seen from the graph above, the Council's biggest expenditure (excluding Housing Benefits which it does not control), and resource, is its staff. In 2015/16 it spent £6.039m. The chart below shows how this spend was split across the Council's committees.



Reserves

The table below shows the movement in the useable reserves during the year to 31st March 2016.

Revenue Usable Reserves 2015/16	B/f	Contributions To	Contributions From	C/f
	£000	£000	£000	£000
General Fund	1,797	0	0	1,797
Earmarked Reserves	3,972	5,368	(1,432)	7,908
Capital Receipts Reserve	1,863	1,916	(1,056)	2,723
Capital Grants Unapplied	586	27	(592)	21
Total Usable Reserves	**8,218**	**7,311**	**(3,080)**	**12,449**

Capital Spending

The final capital budget for 2015/16 was £2.242m and the table below shows the movement from the original capital programme approved in February 2015.

Capital Programme	£ m	£ m
Original Approved Capital Programme 2015/16	1.310	
Approved Slippage from 2014/15	352	
February 2016 Approved Changes	580	
Updated Capital Programme for 2015/16		**2.242**
Capital Outturn		1.051
Variation Against Updated Budget		**(1.191)**

The most significant area of spend in 2015/16 was preliminary costs for the Leisure Centre. The project expenditure totalled £531k, which was funded from capital receipts

Other schemes in the 2015/16 programme were disabled facilities grants and housing improvement grants to householders (£389k), replacement of the vehicle fleet (£72k), updating business systems (£19k) and a conservation area scheme (£28k).

Sales of assets in the year were greater than originally anticipated, the most significant being the sale of Barton Close (£650k) and land of Downham Road (£500k); clawback of housing right to buy receipts also generated (£311k). Total receipts generated were £1.492m.

Receipts of £631k were used in year to finance the capital programme.

The table below shows the breakdown of the capital spend by project, the capital contributions.

2014/15 £k	Capital Spending	2015/16 £k
	Recycling and Organics Collection	6.7
538	Housing Grants	389.3
15	Vehicle Replacement Programme	71.5
121	Leisure Centre - preliminary costs	531.5
	Conservation Area Scheme	28.5
69	Ely Country Park	
46	Other	23.7
789	**Gross Expenditure**	**1,051.2**
	Funded from	
416	Capital Receipts Reserve Applied	631.5
280	Grants	259.7
23	Reserves / Revenue Contributions	103.2
70	Section 106	56.8
789		**1,051.2**

Treasury Management

East Cambridgeshire District Council was in cash surplus during the whole of the 2015-16 financial year. The Council invested this “surplus” cash in both fixed term and short term investments throughout the year, this in an attempt to maximise interest receipts, but while ensuring the security of the funds invested.

Looking to the Future

The Council’s Medium Term Financial Strategy (MTFS) is to set a robust financial framework for the Council’s plans over the next five years which support the delivery of the Council’s priorities within a context of an annual balanced budget. Specifically, the MTFS:

- Looks to the longer term to help plan sustainable services within an uncertain external economic and funding environment;
- Maximises the Council’s financial resilience and manage risk and volatility, including managing adequate reserves;
- Helps ensure that the Council’s financial resources are directed to support delivery of the Council’s priorities over the medium term.

The current MTFS covers the period 2015/16 to 2019/20. The FY 2019/20 is the final year of the current Government core grant scheme and the final budget to be approved by the current administration. Any plans to develop an MTFS beyond this time frame would require information around the new Business Rate Retention Scheme and new burdens, which are not currently available.

The current MTFS shows the budgets for FY2016/17 and FY2017/18 are fully funded based on the assumptions detailed below. However, there are significant budget shortfalls projected in the subsequent years. Clearly many things will change between now and then and it will be necessary to continue to implement agreed strategies around commercialisation and transformation to meet these shortfalls. The Council does have time to put the necessary plans in place. The Council also has access to a good level of reserves.

The assumptions in the current MTFS include:

- Government funding through Revenue Support Grant continues to fall and ends by 2020, as per the grant Settlement;
- New Homes Bonus reduces to levels projected in the grant Settlement;
- Council Tax increases by 2% per annum from 2017-18;
- The Council's Business Rate growth continues, projected to increase by £0.2 million per annum throughout the term of the MTFS;
- No increase in waste costs when the current contract ends in 2019;
- The Pension Fund valuation in 2016/17 will show a small increase in contributions from the last valuation in 2013/14;
- No change to Planning Fees, although Government are currently reviewing these charges;
- The Council has a track record of delivering cost reductions; and has established a LATC to drive a broader commercial agenda. It is anticipated therefore that a significant contribution to the budget deficit forecast will be achieved during the term; however, to be prudent, no new savings or income generating opportunities are currently shown within the MTFS.

Since the MTFS was approved with the budget in February, Council has approved a major capital scheme to build a Leisure Centre for the District. The Leisure Centre, which has a projected capital build cost of £13.941 million, will be funded from a combination of capital receipts, CIL, grant funding and borrowing. The Council's Treasury Strategy and MTFS have been up-dated to reflect this project, with the expectation being that it will be revenue cost neutral overall, with debt and on-going structural maintenance costs being met from a combination of the payments from the operator and savings as a result of the closure of Paradise Pool. (For further details, a full report on the Leisure Centre project was presented to Full Council on the 28th June 2016.)

The Financial Statements

The Council's financial statements for 2015/16 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2015/16 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement (CIES)

This 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*. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Movement in Reserves Statement

The CIES differs from the Council's management accounts, as it contains a number of transactions that are required for accounting purposes but then removed from the accounts as they are deemed not to be covered by Council Tax. These movements happen in the **Movement in Reserves Statement (MiRS)** and in a reconciliation between the two positions in shown in note 24 to the accounts.

This statement also shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. A final adjustment shows any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value at the 31 March 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 useable 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 are unusable and 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 at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

	31 March 2016 £m
Long Term Assets	19.282
Current Assets	22.326
Current Liabilities	(4.892)
Long Term Liabilities	(25.854)
Net Assets	**10.862**
Useable Reserves	(12.448)
Unusable Reserves	1.586
Total Reserves	**(10.862)**

The Balance Sheet has moved from a position in 2014/15 of £7.413m to a position as shown above. The principle reason for this movement (£3.271m) is an improvement in the Pension Fund and Liability of £3.080m. A detailed explanation of the Councils pension liabilities is shown in Note.35 Defined Benefit Pension Scheme and in summary:

- 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 and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

At this time, the statutory arrangements for funding the Pension deficit mean that the financial position of the Council continues to remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses “cash” 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.

Net cash flows from:	**31 March 2016 £m**
- operating activities	(14.127)
- investing activities	19.416
- financing activities	(3.670)
Net increase or (decrease) in cash and cash equivalents	**1.619**
Cash & Cash Equivalents	
- at the beginning of the reporting period	7.967
- **at the end of the reporting period**	**9.586**

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates as distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

Technical Information

East Cambridgeshire’s financial statements for 2015/16 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2015/16 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Statement of Accounting Policies
The accounting polices applicable to the 2015/16 statement of accounts are, in the main, the same as those that were applied to the 2014/15.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the “true and fair view override”.

Changes to the Statement of Accounts
There are no material changes to the Statement of Accounts.

Material and Unusual Charges or Credits in the Accounts
There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date
There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred
There have not been any material assets acquired or liabilities incurred during the year.

Changes in Statutory Functions
There were no changes in statutory functions in 2015/16.

Andrew Radford CPFA

Director - Resources

29th September 2016

Independent auditor's report to the members of East Cambridgeshire District Council

Opinion on the Authority's financial statements

We have audited the financial statements of East Cambridgeshire District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 37 and Group notes 1 and 2, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of East Cambridgeshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Cambridgeshire District Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on East Cambridgeshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether East Cambridgeshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the whether East Cambridgeshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, East Cambridgeshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, East Cambridgeshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of East Cambridgeshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Neil Harris

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

30 September 2016

Statement of Responsibilities

The Authority's Responsibilities
The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director - Resources Responsibilities
The Director of Resources is responsible for the preparation of the authority'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 Director of Resources has:

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

The Director of Resources has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016

Andrew Radford CPFA
Director - Resources

29th September 2016

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 20	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2015/16							
BALANCE AT 31 MARCH 2015 B/F	**(1,797)**	**(3,966)**	**(1,863)**	**(586)**	**(8,212)**	**3,586**	**(4,626)**
Surplus/(Deficit) on provision of services	(1,469)				**(1,469)**		**(1,469)**
Other comprehensive income and expenditure					**0**	(4,766)	**(4,766)**
Total comprehensive income and expenditure	**(1,469)**	**0**	**0**	**0**	**(1,469)**	**(4,766)**	**(6,235)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(1,967)	0	(860)	**60**	**(2,767)**	2,767	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(3,436)**	**0**	**(860)**	**60**	**(4,236)**	**(1,999)**	**(6,235)**
Transfers (from)/to earmarked reserves (Note 8)	3,437	(3,941)	0	**505**	**0**	0	**0**
Increase/(Decrease) in Year	**0**	**(3,941)**	**(860)**	**565**	**(4,236)**	**(1,999)**	**(6,235)**
BALANCE AT 31 MARCH 2016 C/F	**(1,797)**	**(7,907)**	**(2,723)**	**(21)**	**(12,448)**	**1,587**	**(10,862)**
Movement in reserves during 2014/15							
BALANCE AT 31 MARCH 2014 B/F	**(1,797)**	**(3,551)**	**(1,957)**	**(274)**	**(7,579)**	**(275)**	**(7,854)**
Surplus/(Deficit) on provision of services	83				**83**		**83**
Other comprehensive income and expenditure						3,143	**3,143**
Total comprehensive income and expenditure	**83**	**0**	**0**	**0**	**83**	**3,143**	**3,226**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(499)		94	**(312)**	**(717)**	717	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(416)**	**0**	**94**	**(312)**	**(634)**	**3,860**	**3,226**
Transfers (from)/to earmarked reserves (Note 8)	416	(416)			**0**	0	**0**
Increase/(Decrease) in Year	**0**	**(416)**	**94**	**(312)**	**(634)**	**3,860**	**3,226**
BALANCE AT 31 MARCH 2015 C/F	**(1,797)**	**(3,966)**	**(1,863)**	**(586)**	**(8,213)**	**3,585**	**(4,627)**

Comprehensive Income and Expenditure Statement

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
2,188	(837)	1,351	Cultural and Recreational Services	1,457	(662)	795
4,936	(615)	4,320	Environmental Services	6,102	(2,377)	3,725
3,379	(2,796)	583	Planning Services	3,629	(2,346)	1,283
22,966	(22,355)	611	Housing Services	21,767	(21,112)	655
413	(238)	175	Highways and Transport Services	413	(311)	102
1,673	(701)	972	Central Services	1,569	(873)	696
2,320	(259)	2,061	Corporate and Democratic Core	1,595	(369)	1,226
89	0	89	Non-Distributed Costs	400	(5)	395
37,965	**(27,802)**	**10,162**	**Cost of Services** (note 27)	**36,933**	**(28,055)**	**8,878**
		1,614	Parish Council Precepts			1,658
		436	Internal Drainage Board Levies			457
		128	Loss/(Gain) on disposal of non-current assets			(266)
		2,178	**Other Operating Expenditure**			**1,849**
		5	Interest payable and similar charges			0
		(145)	Interest receivable and Investment Income			(110)
		841	Net interest on the net pension liability			792
		701	**Financing & Investment Income & Expenditure**			**682**
		(5,638)	Council Tax Income			(5,676)
		(2,723)	Non Domestic Rates income and expenditure			(3,658)
		(4,597)	Non Ringfenced Government Grants			(3,545)
		(12,958)	**TAXATION & NON-SPECIFIC GRANT INCOME**			**(12,879)**
		83	**(Surplus)/Deficit on provision of services**			**(1,469)**
		(1,042)	(Surplus) or deficit in the revaluation of non-current assets			(744)
		4,185	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			(4,022)
		3,142	**Other comprehensive income and expenditure**			**(4,766)**
		3,226	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(6,235)**

Balance Sheet

RESTATED 31 March 2015 £000		Notes	31 March 2016 £000
18,774	Property, Plant and Equipment	9	18,231
105	Heritage Assets	10	105
0	Investment Property	11	0
93	Intangible Assets	12	79
546	Investments in subsidiaries		546
285	Long Term Debtors	13	321
19,803	**Long Term Assets**		**19,282**
7,525	Short Term Investments	13	10,028
38	Inventories		36
2,399	Short Term Debtors	13	2,785
7,985	Cash and Cash Equivalents	13	9,477
650	Assets held for sale	17	0
18,596	**Current Assets**		**22,326**
(18)	Cash and Cash Equivalents	16	(103)
(4,985)	Short Term Creditors	13	(4,205)
(259)	Provisions	36	(584)
(5,262)	**Current Liabilities**		**(4,892)**
(3,855)	Capital Grants Receipts in Advance		(4,279)
(24,655)	Net Pensions Liability	20	(21,575)
(28,510)	**Long Term Liabilities**		**(25,854)**
4,626	**Net Assets**		**10,862**
(8,211)	Useable Reserves	8	(12,448)
3,585	Unusable Reserves	20	1,586
(4,626)	**Total Reserves**		**(10,862)**

Andrew Radford CPFA
Director - Resources

29th September 2016

Cash Flow Statement

2014/15 £000		2015/16 £000
(83)	Net Surplus / (Deficit) on the provision of services	1,469
2,366	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,650)
(814)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,158)
1,469	Net cash flows from Operating Activities	**(14,339)**
(704)	Investing Activities (Note 22)	19,416
1,018	Financing Activities (Note 23)	(3,670)
1,783	Net increase/(decrease) in cash and cash equivalents	**1,407**
6,183	Cash and cash equivalents at the beginning of the reporting period	7,967
7,966	**Cash and cash equivalents at the end of the reporting period (Note 16)**	**9,374**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ General Principles

The Statement of Accounts summarises the Council's transactions for the **2015/16** financial year and its position at the year-end of 31 March **2016**. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom **2015/16** and the Service Reporting Code of Practice **2015/16,** supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place
- Primacy of legislative requirements – legislation overrides standard accounting practice

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

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

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

➢ Government Grants and Contributions (IAS 20)

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 credited to the Comprehensive Income and Expenditure Statement if the conditions attached to the grant or contribution have been met. However, if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

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

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

The Council receives monies from developers, S106 monies, which are initially credited to the Comprehensive Income and Expenditure Statement and then treated as receipts in advance.

➢ Accruals of Income and Expenditure

Income and expenditure are accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the Balance Sheet. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NDR and Council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.

➢ Overheads and Support Services

The costs of overheads and support services are charged to services on the basis of use in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. The basis of the charge varies according to the nature of the support service provided (e.g. administrative buildings are apportioned on the basis of area occupied.) The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – for example the cost of lump sum employer contributions to the pension scheme.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

The cost of overheads relating to staff time spent on capital projects is treated as a revenue charge to the service rather than a charge to the capital project.

- **Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors**

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, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

For **2015/16**, it should be noted that the accounting policy in respect of Section 106 Income has been changed with the opening balances (as at 31.3.14 and 31.3.15) restated. The £2.511 million of S106 grant has been moved and is now shown as a receipt in advance not an earmarked reserve. This adjustment has also required the Balance Sheet as at 31st March 2015 to be restated by the equivalent amount

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.

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

- **Exceptional Items**

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

- **Interest Receipts**

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- **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; they are included in the Balance Sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves or Capital Grants Unapplied.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

However, there are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.

- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowing and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the Balance Sheet.
- Accumulated Compensated Absences Adjustment Account – the value of untaken leave and other employee benefits.

➢ **Value Added Tax**

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.

➢ **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

➢ **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 investments that mature in three months or less from the investment date and that are readily convertible to cash with insignificant risk of change in value.

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

Accounting Policies in respect of Non-Current Assets

➢ **Property, Plant and Equipment (IAS 16)**

Assets that have physical substance and are held for use in the provision of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

- Recognition

  Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to

an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.
There is a de minimis level of £10,000 however, where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

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

o	Fair Value:	Land and Buildings, Investment Properties
o	Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
o	Historic Cost:	Community Assets, Assets Under Construction Assets Held for Sale

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every three 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 an impairment loss previously charged to a service revenue account. Thus there is no impact on the council tax.

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

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

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

- Components

The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

This policy has been applied prospectively when non-current assets have been revalued and will be considered only for new revaluations carried out after 1st April 2012 and when enhancement and/or acquisition expenditure is incurred after that date. The only assets that have been split into components in the 2015/16 accounts are offices and leisure centres. This is consistent with the prior year.

The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main asset and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

- 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 there 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:

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

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

- Disposals and Non-Current Assets Held for Sale

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

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 disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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.

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	5 years to 99 years
Community Assets	Straight line allocation over the estimated life of the asset	16 years to 99 years
Intangible Assets	Straight line allocation over the estimated life of the asset	1 year to 5 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 48 years
Infrastructure		5 years to 99 years

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

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

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

Year of depreciation charge

The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.

- **Depreciation and other Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment 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 (annual charge) 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, known as the minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. From 2013/14, the Council adopted the following which clarifies the policy to be applied in differing circumstances:

i. MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy)

Where the Council has provided:

- loans to local organisations or businesses, and/or
- loans with security

and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. MRP Policy in respect of Debt not relating to Loans to Organisations

MRP for this category will be on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

- **Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those that are held and maintained by the Council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority'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 Authority's Heritage Assets are accounted for as follows:

- Mayoral Regalia and Art Collection

  The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £0.033m. As individually these assets are not material, they have not been included in the Balance Sheet.

- **Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and debited to the relevant service lines 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 debited to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is debited or credited 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.

- **Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are debited / credited 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.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and results 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 and are 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.

➢ **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

- The Council as Lessee

  - <u>Finance leases</u>

    Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

    Lease payments are apportioned between:

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

    Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (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 or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and 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.

In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

- Operating leases.

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

- The Council as Lessor

  - Finance Leases

    Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

    Lease rentals receivable are apportioned between:

    - a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
    - finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

    The written-off values of disposals are not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

  - Operating Leases.

    Where the Council grants an operating lease over a property 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.

- **Revenue Expenditure funded from Capital under Statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of property, plant and equipment. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Current Value Measurement (IFRS 13)

Previously, all assets and liabilities were valued under the principle of "fair value" which was defined as "the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction".

Although "fair value" remains as the approach to valuation for a number of assets and liabilities, in respect of Operational Assets IFRS 13 introduces "current value". This means such assets have to be measured in a way that recognises their "service potential".

Accounting Policies in respect of Current Assets

- **Inventories**

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

- **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.

- **Provisions and Contingent Liabilities**

- Provisions

  Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

- Contingent Liabilities

  A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. 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.

Accounting Policies in respect of Employee Benefits

➢ **Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

An accrual is made against services in the Comprehensive Income and Expenditure Statement for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement. Thus there is no impact on the council tax.

➢ **Termination Benefits**

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

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

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

➢ **Post-Employment Benefits (Pensions)**

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

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

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

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

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

    - **current service cost** – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
    - **the return on plan assets** – excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - **actuarial gains and losses** – changes in the net 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 – debited to the Pensions Reserve.
    - **contributions paid to the Cambridgeshire Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that 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.

Accounting Policies in respect of Financial Instruments

➢ Financial Assets

The main financial assets attributable to the Council are:

- Loans and receivables

  Financial assets that are applicable to the Council are loans and receivables which are assets with a fixed or determinable payment but not quoted in an active market (e.g. trade debtors, fixed term investments). Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The Council has the following loans and receivables:

- Debtors

  Debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end, taking into account the nature, value and age of debts and historic losses for similar groups of assets. Bad debts are written off when they are identified.

  Debtors falling due after more than one year are classified as long-term debtors, which includes housing improvement loans and housing advances. The charge for these services is to the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

- Cash and equivalents

  Cash and equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Due to their nature and short-term maturity, the fair values for debtors and cash and equivalents are estimated using their carrying values.

- Investments

  The Council has both long and short-term investments with various financial institutions. Investments are carried at their amortised cost. The fair value of investments is determined by discounting the future cash flows using a relevant market rate of interest comparable to the rate for the same investment from a comparable institution, available at the Balance Sheet date.

  The Council has made loans for home improvement which are interest-free (soft loans). When these soft loans are made, a loss is recorded in the Housing Services line in the Net Cost of Services in the Comprehensive Income and Expenditure Statement 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. Statutory provisions require that the impact of soft loans in the Comprehensive Income and Expenditure Statement is managed by a transfer to the Financial Instruments Adjustment Account. It is included in the ‘Adjustment between accounting basis and funding basis under regulation’ line in the Movement in Reserves Statement.

➢ Financial Liabilities

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

- Creditors

  Creditors are carried at their original invoice amount.

- Bank overdrafts

  Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

  Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

- Short-term borrowing

  Loans of less than 1 year and carried at amortised cost.

- Long-term loan

  Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed as a note.

Note 2. Accounting Standards that have been issued but have not yet been adopted

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the balance sheet date:

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable

Methods of Depreciation and Amortisation)

- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves

Statement and the introduction of the new Expenditure and Funding Analysis

- The changes to the format of the Pension Fund Account and the Net Assets Statement.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the CIPFA/LAASAC (Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee) Telling the Story review of the presentation of local authority financial statements.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In line with the Code of Practice on local authority accounting in the United Kingdom 2015/16, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2015/16 for land and Buildings (NBV) is £14.700m (2014/15; Land and Buildings (NBV) is £14.827m).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £21.575m for 2015/16; this has decreased by £3.080m since 2014/15. However:

- This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 4.
- The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the forthcoming 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

- The participants in the Council's Non Domestic Rates Collection Fund share the costs of any successful appeals to reduce the rateable value of a property. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2014.

  To estimate the provision for outstanding appeals, the Council has reviewed the outstanding appeals as at 31 March 2016. An estimated provision of £1.063 million has been included in the Collection Fund in respect of successful appeals costs. The Council's share of any such Collection Fund costs is 40% or £0.425 million of the total provision and this is included in the General Fund balance.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or 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 items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property	All Property is reviewed on a 3 year rolling basis. Where an asset has not been specifically reviewed a “table-top” analytical review is undertaken to determine if the principle valuation indexes show a material change in the current assets valuation. In addition, an annual impairment review is undertaken to determine if any of the Council’s assets have been impaired.	78% of the Council’s assets are valued at fair value, so the impact of changes in market is significant. If there was a 1% fall in market value, it is estimated that the value of the Council’s property assets would reduce by £0.124m.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £5.425m. • A 1 year increase in life expectancy would result in an increase in pension liability of £1.544m. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of £1.632m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of £3.703m.
Provision – Rateable Value Appeals	Appeals by non-domestic ratepayers for a reduction in the rateable value of their premises are outstanding. Appeals are determined by Valuation Office and are not within the Council's control. However, expert independent advice has been sought in arriving at an estimated provision.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated

		outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.106m for the Collection Fund of which £0.042m which would be attributable to the General Fund.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2015/16 no such items of income or expenditure were incurred (2014/15; nil.)

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Director - Resources on 30th June 2016.

With regard to 2015/16:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2016.

- **Non-Adjusting Events**
  Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Strategy means the surplus and net assets are well protected against currency fluctuations in the short to medium term and we have limited short-term debt maturities. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of £21.575m defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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 a 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 the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital 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.

2015/16

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(1,353)			1,353
Amortisation of intangible fixed assets	(39)			39
Fair value of investment properties				
Net Revenue expenditure funded from capital under statute	(418)			418
Net (loss)/gain on sale of non-current assets	(72)	(1,120)		1,192
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement				
Reversal of Soft Loans	1			(1)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	20			(20)
Capital expenditure charged to the General Fund	100			(100)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure		632		(632)
Capital receipts arising other than from disposal of a non current asset transferred to Usable Capital Receipts	338	(372)		34
Adjustments 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	9			(9)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 5 of Pension Fund)	(2,102)			2,102
Employer's pensions contributions and direct payments to pensioners payable in the year	1,160			(1,160)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	106			(106)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	260			(260)
Application of grants to capital financing transferred to CAA			60	(60)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	25			(25)
Total Adjustments	**(1,967)**	**(860)**	**60**	**(2,767)**

2014/15

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(773)			773
Amortisation of intangible fixed assets	(46)			46
Fair value of investment properties				
Net Revenue expenditure funded from capital under statute	(538)			538
Net (loss)/gain on sale of non-current assets	(128)			128
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:				
Reversal of Soft Loans	89			(89)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	42			(42)
Capital expenditure charged to the General Fund	148			(148)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure		424		(424)
Capital receipts arising other than from disposal of a non current asset transferred to Usable Capital Receipts	290	(330)		40
Adjustments 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	(23)			23
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(1,946)			1,946
Employer's pensions contributions and direct payments to pensioners payable in the year	952			(952)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	844			(844)
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	592		(592)	
Application of grants to capital financing transferred to CAA			280	(280)
Adjustment involving the Accumulated Compensated Absences Adjustment Account				
Adjustments in relation to short-term compensated absences	(2)			2
Total Adjustments	**(499)**	**94**	**(312)**	**(717)**

Note 8. 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 transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital). It should be noted that the opening balance (31.3.14 and 31.3.15) has been restated with £2.511 million of S106 grant moved and shown as a receipt in advance not an earmarked reserve. This adjustment has also required the Balance Sheet as at 31st March 2015 to be restated by the equivalent amount.

	Balance 31.3.14 £000	Transfers in £000	Transfers out £000	Balance 31.3.15 £000	Transfers in £000	Transfers out £000	Balance 31.3.16 £000	Purpose of Reserve
Change Management	**(178)**	(177)	87	**(268)**	0	14	**(254)**	A
District Elections	**(77)**	(22)	5	**(94)**	(22)	66	**(50)**	**B**
Housing Conditions	**(40)**	(10)	0	**(50)**	0	30	**(20)**	**C**
IT Transformation	**(52)**	(13)	0	**(65)**	0	6	**(59)**	**D**
Land Charges – New Burdens	**(34)**	0	0	**(34)**	(0)	34	**0**	**E**
Vehicle Replacement	**0**	(23)	0	**(23)**	(38)	6	**(55)**	**F**
Planning Delivery Grant	**(355)**	0	241	**(114)**	0	79	**(36)**	**G**
Grounds Maintenance	**(40)**	0	35	**(5)**	0	5	**0**	**H**
Asset Management	**(152)**	(100)	0	**(252)**	0	98	**(154)**	**I**
Cultural Related - Sports	**(5)**	0	0	**(5)**	0	0	**(5)**	**J**
Environmental	**(80)**	(48)	8	**(119)**	(40)	64	**(95)**	**K**
Economic Development	**(95)**	(16)	54	**(57)**	0	1	**(56)**	**L**
Transport	**(69)**	(17)	18	**(68)**	(12)	0	**(80)**	**M**
Housing	**(89)**	(30)	3	**(116)**	0	0	**(116)**	**N**
Corporate	**(75)**	(58)	0	**(133)**		43	**(90)**	**O**
Business Rates Retention	**(667)**	0	667	**0**	0	0	**0**	**P**
Capital Leisure	**0**	(70)	0	**(70)**	0	0	**(70)**	**Q**
Building Control	**0**	(23)		**(23)**	0	0	**(23)**	**R**
Surplus Savings	**(1,618)**	(857)	0	**(2,475)**	(1,382)	790	**(3,067)**	**S**
Planning Specialists	**0**	0	0	**0**	(140)	0	**(140)**	**T**
Commercial Invest to Save	**0**	0	0	**0**	(20)	0	**(20)**	**U**
New Homes Bonus	**0**	0	0	**0**	(578)	0	**(578)**	**V**
CIL	**0**	0	0	**0**	(1,367)	196	**(1,171)**	**W**
CIL Admin	**0**	0	0	**0**	(43)	0	**(43)**	**X**
CLT Grant Application	**0**	0	0	**0**	(19)	0	**(19)**	**Y**
External Elections	**0**	0	0	**0**	(15)	0	**(15)**	**Z**
Weekly Waste Collection Grant	**0**	0	0	**0**	(808)	0	**(808)**	**AA**
Business Rates Retention Pilot – ECDC	**0**	0	0	**0**	(506)	0	**(506)**	**BB**
Business Rates Retention Pilot – Countywide	**0**	0	0	**0**	(380)	0	**(380)**	**CC**

Total	**(3,626)**	**(1,465)**	**1,118**	**(3,972)**	**(5,370)**	**1,432**	**(7,908)**
Net movement in Earmarked Reserves							

Purpose of Reserve

A. Change Management - Contains funding to support the organisational change process.
B. District Elections – Reserve to allow the cost of four yearly District Council elections to be funded on an annual basis.
C. Housing Conditions – To fund a five yearly Housing condition survey.
D. IT Transformation – To fund the IT elements of the Transformation Programme.
E. Land Charges New Burdens – To provide funding for legal costs resulting from the decision to remove the charge fee for personal searches. – This is being treated as a provision in the 2015-16 Accounts.
F. Vehicle Replacement – To fund the ongoing vehicle replacement programme.
G. Planning Delivery Grant – To fund additional planning costs.
H. Grounds Maintenance – Funding provided to the Council but spend delayed. Now all spent.
I. Asset Management – To fund planned Asset Management work required on the Authorities properties.
J. Cultural Related – To provide funding for projects, including the Community Sports Network.
K. Environmental – To fund projects including Community Safety and Environmental issues and the reserve to fund the replacement of wheeled bins as these reach their end of life.
L. Economic Development – To fund Economic Development, Community Rights and Assets of Community.
M. Transport – To provide initial funding for a possible future extension of Littleport Station car park.
N. Housing – To fund projects, including Child Protocol and Travellers' sites.
O. Corporate – To fund an IT hardware refresh and Insurance.
P. Business Rate Retention – No longer required
Q. Capital Leisure – To fund costs associated with the new leisure facility.
R. Building Control – To fund Building Control training and development.
S. Surplus Savings – To hold savings realised in previous years that will be used to balance the budget in future years.
T. Planning Specialist Reserve – To fund specialist planning advice as and when required.
U. Commercial Invest to Save – To fund Invest to Save on commercial schemes.
V. New Homes Bonus – This contains New Homes Bonus funding, not previously built into the base budget which will be used to fund projects.
W. CIL – To fund infrastructure projects linked to CIL agreements.
X. CIL Admin – To fund the Council's administrative costs linked to the collect and use of CIL funding.
Y. CLT Grant Applications – To fund Community Land Trust agreements which have been agreed but not yet paid over.
Z. External Elections - To support the up and coming External Elections.
AA. Weekly Waste Collection Grant – a grant to maintain the weekly waste collection service.
BB. Business Rates Retention Pilot ECDC – This is linked to the Cambridgeshire Business Rates Retention deal offered by Government, where all additional rate receipts, as a result of growth within the District are retained locally.
CC., Business Rates Retention Pilot Countrywide – As above

Note 9. Property, Plant and Equipment

Movements in 2015/16	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2015	**13,752**	**7,005**	**720**	**847**	**0**	**989**	**23,313**
Additions in year		78				531	**609**
Revaluation increases and decreases recognised in the Revaluation Reserve	162			67	450		**679**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(704)			(48)			**(752)**
Transfer within Property, Plant and Equipment							
Transfer to other types of assets					(450)	(50)	**(500)**
Adjustment for disposal	(17)	(1,137)					**(1,154)**
At 31 March 2016	**13,193**	**5,946**	**720**	**866**	**0**	**1,470**	**22,195**
Accumulated Depreciation							
At 1 April 2015	**(750)**	**(3,726)**	**(52)**	**(10)**			**(4,538)**
Depreciation charged in year	(189)	(463)	(4)	(2)			**(658)**
Depreciation written out to revaluation reserve	66						**66**
Depreciation written out to Comprehensive Income and Expenditure Statement	57						**57**
Adjustment for disposal	1	1,111					**1,112**
At 31 March 2016	**(815)**	**(3,078)**	**(56)**	**(12)**	**0**	**0**	**(3,961)**
Net Book Value							
At 31 March 2016	**12,376**	**2,868**	**663**	**854**	**0**	**1,470**	**18,232**
At 31 March 2015	**13,001**	**3,279**	**668**	**837**	**0**	**989**	**18,774**

Movements in 2014/15	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2014	**13,775**	**7,876**	**720**	**867**	**10**	**868**	**24,116**
Additions in year	(3)	84				121	**202**
Revaluation increases and decreases recognised in the Revaluation Reserve	114				640		**754**
Transfer to other types of assets					(650)		**(650)**
Adjustment for disposal	(134)	(955)		(20)			**(1,109)**
At 31 March 2015	**13,752**	**7,005**	**720**	**847**	**0**	**989**	**23,314**
Accumulated Depreciation							
At 1 April 2014	**(832)**	**(4,124)**	**(48)**	**(38)**	**0**	**0**	**(5,042)**
Depreciation charged in year	(209)	(557)	(4)	(2)			**(772)**
Depreciation written out to revaluation reserve	277			31			**308**
Adjustment for disposal	14	955					**969**
At 31 March 2015	**(751)**	**(3,726)**	**(52)**	**(10)**	**0**	**0**	**(4,539)**
Net Book Value							
At 31 March 2015	**13,001**	**3,279**	**668**	**837**	**0**	**989**	**18,774**
At 31 March 2014	**12,943**	**3,752**	**672**	**829**	**10**	**0**	**19,074**

Capital Commitments

At 31 March 2016, the Authority has entered into a contract for the supply of vehicles to the value of £58,000, to be met in 2016/17. Commitments at 31 March 2015 were £0.

Revaluations

Land and buildings
The Authority carries out a rolling programme that ensures that all Property required to be measured at fair value is revalued at least every five years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council's current valuers are Wilks, Head & Eve, 6th Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

The specific assumptions applied in estimating current values in respect of Land and Buildings by the Council’s valuer were as follows:

- that exchange takes place on the date of valuation and after proper marketing,
- that there is a willing buyer and a willing seller, i.e. not forced or compelled,
- that it is an "arm's-length" transaction, i.e. not between parties that have a particular or special relationship, e.g. parent and subsidiary companies,
- and that the parties acted knowledgeably and prudently.

Vehicles, Plant, Equipment and Infrastructure assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, and Assets Under Construction are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently there is no ongoing revaluation review for these assets.

Assets Held For Sale are valued at lower of carrying value and fair value less cost of sale.

Revaluation Profile	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at Historic Cost	0	2,867	2,867
Valued at Fair Value as at:			
1 April 2015	1,412		1,412
1 April 2014	3,286		3,286
1 April 2013	3,036		3,036
1 April 2012	4,633		4,633
Assets Below De-minimus (1 April 2000)	9	1	10
Total Cost of Valuation	**12,376**	**2,868**	**15,244**

Note 10. Heritage Assets

Cultural Heritage Assets

The Authority's collection of themed displays is reported in the Balance Sheet at historic cost, which is also used for the insurance valuation.

These heritage assets are located at Oliver Cromwell's House and are held to increase the knowledge, understanding and appreciation of the house and local area during the time when Oliver Cromwell resided in the District. The collection is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost.

The carrying amounts of these heritage assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

Where any heritage assets are disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The displays are themed rooms and include a painting of Oliver Cromwell, as well as reproduction furniture, models, firearms and wall hangings.

Some of the Authority's more expensive exhibits were refurbished in 2011/12, however acquisitions are usually very small value items. Items are not usually removed or discarded.

The displays are reviewed annually and replaced or renewed if necessary as per the 3 year Business Plan for Oliver Cromwell's House. These would be low cost items. The collection is on display and open to the public throughout the year in the Museum.

There have not been any additions, disposals, revaluations or reclassifications to the Heritage Asset portfolio during 2015/16.

The table below is the reconciliation of the carrying value of heritage Assets held by the council:

	Cultural £000	Total Heritage Assets £000
Cost or Valuation		
At 1 April 2015	**105**	**105**
At 31 March 2016	**105**	**105**
Cost or Valuation		
At 1 April 2014	**105**	**105**
At 31 March 2015	**105**	**105**
Net Book Value		
At 31 March 2016	**105**	**105**
At 31 March 2015	**105**	**105**

Note 11. Investment Property

The Council holds no Investment Properties.

Note 12. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £39,020 charged to revenue in 2015/16 was charged mainly to the IT Administration and Customer Services cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure 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:

2014/15 £000		2015/16 £000
	Balance at start of the year:	
433	Gross carrying amounts	475
(336)	Accumulated amortisation	(382)
97	**Net carrying amount at the start of the year**	**93**
49	Additions	25
(46)	Amortisation for the period	(39)
(8)	Disposals or retirements	0
	Amortisation on Disposal	
93	**Net carrying amount at the end of the year**	**79**
475	Gross carrying amounts	499
(382)	Accumulated amortisation	(421)
93	**Net carrying amount at end of the year**	**79**

Note 13. Financial Instruments

The financial assets and liabilities included on the Balance Sheet comprise the following categories of financial instruments.

Long-term 2014/15 £000	Long-term 2015/16 £000		Current 2014/15 £000	Current 2015/16 £000
		Investments and Cash & Cash Equivalents		
0	0	Short term Investments	7,525	10,028
0	0	Loans & Receivables	7,966	9,689
		Total investments and Cash & Cash Equivalents		
0	0	**Debtors**	2,399	1,269
285	321	Loans and Investments	0	0
285	**321**	**TOTAL FINANCIAL ASSETS**	**17,890**	**20,986**
		Borrowings		
0	0	**Total borrowings**	0	0
		Creditors		
0	0	Financial liabilities at amortised cost	(4,985)	(3,450)
0	0	**Total creditors**	**(4,985)**	**(3,450)**
0	**0**	**Total Financial Liabilities**	**(4,985)**	**(3,450)**

Fair value of assets and liabilities carried at amortised cost

Financial assets classified as available for sale are carried in the Balance Sheet at fair value taken from the market price.

Financial liabilities and financial assets classified as loans and receivables are recorded on the Balance Sheet at their amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using spreadsheets provided by our advisors or by using the following assumptions:

- There were no long or short term borrowings at the yearend so no estimated rates were needed.
- 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 fair value.
- The fair value of debtors is taken to be the invoiced or billed amount.

IFRS 13 introduces a three level hierarchy for the inputs into a fair value calculation:

- Level 1 – quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – inputs other than quoted prices that are observable for the asset of liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

2014/15			2015/16	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Liabilities		
(4,985)	(4,985)	Financial liabilities	(6,773)	(6,773)
		Assets		
17,890	17,890	Loans and receivables	24,338	24,338

Note 14. Inventories

These have been valued for balance sheet purposes at the lower of cost or net realisable value. These include items such as Trading stock and Litter Bins. An analysis of the figures has not been provided as they are not considered material to the accounts.

Note 15. Debtors

2014/15 £000		2015/16 £000
300	Central Government bodies - Her Majesty's Revenue and Customs, and the Department of Communities and Local Government	205
59	Other Local Authorities	0
3,028	Other entities and individuals	3,588
(988)	Bad debt provision	(1,007)
2,399		**2,785**

Note 16. Cash and Cash Equivalents

2014/15 £000		2015/16 £000
7,985	Short term investments repayable on notice	9,477
(18)	Cash (overdrawn) or in hand at bank	(103)
(7,967)	**Net Total Cash and Cash Equivalents**	**9,374**

Note 17. Assets Held for Sale

Assets held for sale are expected to be sold within twelve months, (at the Balance Sheet date). The asset is carried at book value or expected sale proceeds, whichever is lower.

2014/15 £000		2015/16 £000
0	**Balance at Start of Year**	**650**
	Assets Sold	(1,150)
650	Newly Classified as Held for Sale – Property, Plant and Equipment	500
650	**Balance at End of Year**	**0**

Note 18. Creditors

2014/15 £000		2015/16 £000
1,073	Central Government bodies - Her Majesty's Revenue and Customs, and the Department of Communities and Local Government	1,013
367	Other Local Authorities	1,139
3,546	Other entities and individuals	2,861
4,986		**5,013**

Note 19. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and in Note 8 – Earmarked Reserves.

Note 20. Unusable Reserves

2014/15 £000		2015/16 £000
14,431	Capital Adjustment Account	13,680
6,041	Revaluation Reserve	5,605
484	Deferred Capital Receipts Reserve	451
(139)	Financial Instruments Adjustment Account	(130)
(24,655)	Pensions Reserve	(21,575)
366	Collection Fund Adjustment Account	471
(113)	Accumulating Compensated Absences Adjustment Account	(89)
(3,585)	**Total Unusable Reserves**	**(1,587)**

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 and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000	2014/15 £000	Capital Adjustment Account	2015/16 £000	2015/16 £000
	(14,904)	**Balance at 1 April**		**(14,431)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
773		Charges for depreciation and impairment of non-current assets	659	
0		Impairment losses on property, plant and equipment	695	
46		Amortisation of intangible assets	39	
538		Revenue expenditure funded from capital under statute	389	
128		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	1,192	
0		Other transactions	28	
(181)		Adjusting amounts written out of the Revaluation Reserve	(1,180)	
	1,304			1,822
		Capital financing applied in the year:		
(424)		Use of the Capital Receipts Reserve to finance new capital expenditure	(631)	
		Use of S106 earmarked reserves		
(231)		Application of grants to finance capital expenditure	(295)	
(49)		Application of grants to capital financing from the Capital Grants Unapplied Account	(25)	
(42)		Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(20)	
(84)		Capital expenditure charged to General Fund	(100)	
	(831)			(1,071)
	473	**Total movements**		**751**
	(14,431)	**Balance at 31 March**		**(13,680)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- 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.

2014/15 £000	Revaluation Reserve	2015/16 £000
(5,180)	**Balance at 1 April**	**(6,041)**
(1,042)	Upward revaluation of assets	(744)
(1,042)	**(Surplus) or deficit in the revaluation of non-current assets**	**(744)**
91	Accumulated gains on assets sold or scrapped	1,091
91	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	89
(6,041)	**Balance at 31 March**	**(5,605)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given to individuals and organisations, and the actual income credited to the General Fund.

2014/15 £000	Financial Instruments Adjustment Account	2015/16 £000
116	**Balance at 1 April**	**139**
23	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	(9)
139	**Balance at 31 March**	**130**

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 Authority 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.

2014/15 £000	Available for Sale Reserve	2015/16 £000
(372)	**Balance at 1 April**	**(484)**
(152)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(1)
40	Transfer to the Capital Receipts Reserve upon receipt of cash	34
(484)	**Balance at 31 March**	**(451)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay 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. Further information is found in Note 35 in respect of Defined Benefit Pension Scheme.

2014/15 £000	Pensions Reserve	2015/16 £000
19,476	**Balance at 1 April**	**24,655**
4,185	Actuarial (gains) or losses on pensions assets and liabilities	(4,022)
1,946	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	2,102
(952)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,160)
24,655	**Balance at 31 March**	**21,575**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2015/16 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2014/15 £000	Collection Fund Adjustment Account	2015/16 £000
478	**Balance at 1 April**	**(365)**
(843)	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 income calculated for the year in accordance with statutory requirements	(106)
(365)	**Balance at 31 March**	**(471)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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 i.e. annual leave entitlement and accrued flexitime carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accumulating Compensated Absences Adjustment Account.

The 2015/16 balance is considerably lower than previous years because of changes to the Council's leave arrangements policy and flexible working scheme. There is now no automatic carry forward of untaken annual leave and flexible working balances are limited to 14.8 hours.

2014/15 £000	Accumulating Compensated Absences Adjustment Account	2015/16 £000
111	**Balance at 1 April**	**113**
2	Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)
113	**Balance at 31 March**	**88**

Note 21. Operating Activities

The interest items of the cash flows for operating activities are as follows:

2014/15 £000		2015/16 £000
140	Interest Received	104
5	Interest Paid	0

Note 22. Investing Activities

2014/15 £000		2015/16 £000
(257)	Purchase of property, plant and equipment, investment property and intangible assets	(561)
(10,200)	Purchase of short-term and long-term investments	9,935
70	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,493
9,200	Proceeds from short-term and long-term investments	7,500
483	Other receipts from investing activities	1,049
(704)	**Net cash flows from investing activities**	**19,416**

Note 23. Financing Activities

2014/15 £000		2015/16 £000
1,018	Other payments from financing activities	(3,670)
	Movement on long-term borrowing	0
	Movement on short-term borrowing	0
1,018	**Net cash flows from financing activities**	**(3,670)**

Note 24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice, however, decisions about resource allocation are taken by the Council's Corporate Governance and Finance Committee on the basis of budget reports analysed across services in a bespoke manner that best fits the Council's needs. These reports are prepared on a different basis from the basis used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

The following statements reconcile the revenue expenditure by service as reported to Members and Chief Officers, with that in the comprehensive income and expenditure account. The analysis by service is reported to Members three times a year – budget (February), forecast outturn (the following February) and actual net expenditure (July).

The income and expenditure of the main services is as follows:

2015/16	Commercial	Regulatory & Support	Corporate Gov & Finance	TOTAL
	£000	£000	£000	£000
Fees, charges and other income	(1,436)	(6,051)	(10,612)	**(18,099)**
Government grants	(133)	(22,569)	(3,942)	**(26,644)**
Total income	**(1,569)**	**(28,620)**	**(14,554)**	**(44,743)**
Employee expenses	974	3,751	1,601	**6,326**
Other service expenses	4,242	29,157	2,827	**36,227**
Total operating expenses	**5,216**	**32,908**	**4,428**	**42,553**
Net expenditure	**3,649**	**4,288**	**(10,126)**	**(2,189)**

2014/15	Commercial	Regulatory & Support	Corporate Gov & Finance	TOTAL
	£000	£000	£000	£000
Fees, charges and other income	(1,266)	(7,190)	3,255	(5,201)
Government grants	(16)	(21,120)	(7,006)	(28,142)
Total income	**(1,282)**	**(28,310)**	**(3,751)**	**(33,343)**
Employee expenses	1,028	3,639	1,654	6,321
Other service expenses	2,488	29,918	3,759	36,165
Total operating expenses	**3,516**	**33,557**	**5,413**	**42,486**
Net expenditure	**2,234**	**5,246**	**1,661**	**9,141**

Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £000		2015/16 £000
9,141	**Net expenditure in service analysis**	**(2,189)**
265	Amounts in the Comprehensive Income and Expenditure Statement not included in the service analysis of revenue expenditure for budget monitoring	2,631
756	Amounts included in the service analysis of revenue expenditure and reported to management, but not included in net cost of services section of the Comprehensive Income and Expenditure Statement	8,435
10,162	**Net cost of services in Comprehensive Income and Expenditure Account**	**8,877**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Service Analysis £000	Statutory Accounting Transactions £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	(8,967)			**(8,967)**		**(8,967)**
Income from Council Tax	(5,676)		5,676	**0**	(5,676)	**(5,676)**
Income from NDR	(3,455)		3,455	**0**	(3,658)	**(3,658)**
Interest and investment income	0		0	**0**	(110)	**(110)**
Government Grants	(26,643)		1,884	**(24,759)**	(3,544)	**(28,303)**
Total income	**(44,741)**	**0**	**11,015**	**(33,726)**	(12,988)	**(46,714)**
Employee expenses	6,326	966		**7,292**	792	**8,084**
Other service expenses	28,470	1,665	(465)	**29,670**		**29,670**
Support service recharges	4,250			**4,250**		**4,250**
Depreciation and impairment	1,392			**1,392**		**1,392**
Interest payments	0			**0**		**0**
Precepts and levies	2,115		(2,115)	**0**	2,115	**2,115**
Gain or loss on disposal of property, plant and equipment				**0**	(266)	**(266)**
Total operating expenses	**42,553**	**2,631**	**(2,580)**	**42,604**	**2,641**	**45,245**
(Surplus) or deficit on the provision of services	**(2,188)**	**2,631**	**8,435**	**8,878**	**(10,347)**	**(1,469)**

2014/15	Service Analysis £000	Not reported to management £000	Not included in cost of services £000	Net cost of services £000	Corporate amounts £000	TOTAL £000
Fees, charges and other income	-5,057	-159		**-5,216**	0	**-5,216**
Income from Council Tax		0		**0**	-5638	**-5,638**
Income from NDR		0		**0**	-2,722	**-2,722**
Interest and investment income	-145	0	145	**0**	-145	**-145**
Government Grants	-28,143	-113	2,080	**-26,176**	-4,598	**-30,774**
Total income	**-33,345**	**-272**	**2,225**	**-31,392**	-13,103	**-44,495**
Employee expenses	6,321	268	-110	**6,479**	841	**7320**
Other service expenses	30,419	269	-790	**29,898**		**29,898**
Support service recharges	4,230			**4,230**		**4,230**
Depreciation and impairment	947			**947**		**947**
Interest payments	5		-5	**0**	5	**5**
Precepts and levies	436		-436	**0**	2,050	**2,050**
Gain or loss on disposal of property, plant and equipment	128		-128	**0**	128	**128**
Total operating expenses	**42,486**	**537**	**-1,469**	**41,554**	**3,024**	**44,578**
(Surplus) or deficit on the provision of services	**9,141**	**265**	**756**	**10,162**	**-10,079**	**83**

Note 25. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2015/16 (2014/15; nil).

Note 26. Trading Operations

From a local authority context, a trading operation is one where a Council is trading and taking operational risks and could, if the economic environment so dictated, expose the Council to a financial loss on the service provided.

The Council owns Ely market rights, and also owns a number of industrial sites in the District, the biggest being East Space North in Littleport. The Maltings Hall is now being leased to Ely City Council at a peppercorn rent and all trading undertaken at the premises is now under the stewardship of the City Council. The loss figure quoted for 2015-16 includes £648,220 Depreciation and Impairment cost in relation to this revised arrangement.

The profits (or losses) on these trading operations were as follows:

	2015/2016		2014/2015	
	Turnover	Profit (loss)	Turnover	Surplus/ (loss)
	£	£	£	£
Ely Markets	186,091	36,115	174,089	36,451
Business Units	16,896	(23,600)	17,551	10
E Space North	280,621	81,071	298,191	47,570
Building Control	265,676	30,291	274,543	23,151
Maltings Hall	0	(652,529)	21,758	(43,319)
Total	749,284	(528,652)	786,132	63,863

Note 27. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

2014/15 £		2015/16 £
196,071	Allowances	195,306
10,942	Expenses	9,971
207,013		**205,277**

Note 28. Senior Officer Remuneration and staff over £50k 2015/16

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

2014/15	£		£	2015/16
1	50,000	but less than	55,000	0
1	55,000	but less than	60,000	1
2	60,000	but less than	65,000	1
1	65,000	but less than	70,000	2
0	70,000	but less than	75,000	1
1	75,000	but less than	80,000	1
1	80,000	but less than	85,000	0
0	125,000	but less than	130,000	0
1	130,000	but less than	135,000	1
8				**7**

Included in the banding table above are those Senior Officers who are separately disclosed in the following Remuneration of Senior Employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2015/16 Post holder	Salary including allowances £	Allowances and fees £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive	129,097	**8,760**	**137,857**	21,946	**159,803**
Director – Operations	75,042	**1,367**	**76,409**	12,757	**89,166**
Director - Commercial	59,754	**0**	**59,754**	10,158	**69,913**
Chief Finance Officer	22,367	**0**	**22,367**	3,802	**26,169**
Director – Support Services	64,946	**257**	**65,203**	11,041	**76,244**

Key – 2015/16
Note 1 – Chief Finance Officer – in post from 1 September 2015 and only part time (50%). The FTE salary is £60,214.
Note 2 - Corporate Unit Manager promoted to Director – Commercial August 2015
Note 3 – Heads of Finance (31/8/15), Legal and Democratic (30/6/14) and Head of HR and Facilities (2/9/15) all left their posts in 2015/16
Note 4 – The Senior Management Team of the Council was reduced to the above posts in 2015/16

2014/15 Post holder	Salary including allowances £	Allowances and fees £	Exit Packages £	Total remuneration £	Employer pension contributions £	Remuneration including pension contributions £
Chief Executive	126,642	**8,695**	**0**	**135,337**	27,228	**162,565**
Deputy Chief Executive	25,430	**2,307**	**52,815**	**80,552**	5,467	**86,019**
Director (Regulatory Services)	61,027	**745**	**0**	**61,772**	13,121	**74,893**
Direct (Support Services)	21,510	**0**	**0**	**21,510**	4,625	**26,135**
Corporate Unit Manager	38,386	**9**	**0**	**38,395**	8,253	**46,648**
<u>Heads of Service</u>						
Finance	68,282	**0**	**0**	**68,282**	14,681	**82,963**
Legal & Democratic	15,259	**0**	**39,349**	**54,608**	3,281	**57,889**
HR & Facilities	58,989	**91**	**0**	**59,080**	12,683	**71,763**
Planning	8,385	**164**	**13,692**	**22,241**	1,803	**24,044**
Environmental	72,547	**2,709**	**0**	**75,256**	15,598	**90,854**
Community	14,881	**7**	**24,124**	**39,012**	3,199	**42,211**
ICT & Customer Services	58,706	**4,010**	**0**	**62,716**	12,622	**75,338**

Key – 2014/15

Note 1 The Deputy Chief Executive left on 30/06/2014. The annualised salary for 2014/15 was £101,719.
Note 2: The Director (Regulatory Services) started on 01/09/14. The annualised salary for 2014/15 was £66,149.
Note 3: The Director (Support Services) started on 01/12/2014. The annualised salary for 2014/15 was £64,576.
Note 4: The Commercial Unit Manager started on 01/10/2014. The annualised salary for 2014/15 was £52,011
Note 5: The Head of Legal & Democratic Services left on 30/06/2014. The annualised salary for 2014/15 was £61,033.
Note 6: The Head of Planning left on 15/05/2014. The annualised salary for 2014/15 was £67,809.
Note 7: The Head of Community Services left on 19/06/2014. The annualised salary for 2014/15 was £67,809.

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

	Number of compulsory redundancies		**Number of other departures agreed**		**Total number of exit packages agreed**		**Total cost of packages**	
	2014/15	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15 £000**	**2015/16 £000**
£0 to less than £20,000	0	2	0	8	0	10	0	80
£20,000 to less than £40,000	0	1	0	0	0	1	0	23
	0	**3**	**0**	**8**	**0**	**11**	**0**	**103**

Note 29. External Audit Related Costs

These figures show the amounts included in the accounts which include any adjustments made for previous years.

2014/15 £		2015/16 £
55,332	External audit	49,473
25,603	Grant claim certification	15,208
80,935		**64,681**

Note 30. Grant Income

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

2014/15 £000		2015/16 £000
	Credited to taxation and non-specific income	
2,517	Revenue support grant	1,744
1,434	New Homes Bonus	1,758
647	Other Grants	44
4,598	**Total**	**3,546**
	Credited to Services	
21,084	Benefits	19,948
1,011	Section 106	1,022
471	CIL	0
343	Waste Recycling Credits	357
662	Other	558
23,569	**Total**	**21,885**

Note 31. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.

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

Grants received from Government departments are set out in the analysis in Note 30 on "Amounts Reported for Resource Allocation Decisions" and Note 24 on “Grant Income”.

The Council has a significant operational relationship with Cambridgeshire County Council. The County Council is the administering authority for the East Cambridgeshire's pension fund, and many of the Council's services work with County Council services on a day-to-day basis, for example, the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority, but each of the Councils has to pay the other in respect of certain types of waste.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 30. Some Council members are also:

1. elected members of other Councils, including the County Council, Parish and Town Councils.
2. nominated representatives of Cambridgeshire County Council on various organisations.

In respect of 2015/16, there were no known material transactions with related parties when the accounts were produced that are not disclosed elsewhere in the accounts.

Entities Controlled or Significantly Influenced by the Authority

The Council fully owns East Cambridgeshire Business Centres Limited.

The aim of the business is the promotion of economic development by providing a Managed Workspace Centre. This contains small business units and associated common facilities for new and very small businesses. The shared facilities help to reduce the costs for the businesses as it saves them having to purchase equipment and provides meeting/training rooms.
The workspaces are let on a short term basis to allow them to expand or contract as necessary without being locked into a long term tenancy agreement.
Group Accounts have been produced this year as the figures are material to the overall accounts of the Council.
The net assets of the Company at 31st March 2016 were £772,656 (31st March 2015 £772,024).
The Company made a surplus of £632 before tax in the year (2014-15 deficit of £6,084).
Copies of the accounts for East Cambridgeshire Business Centres Limited can be obtained from: The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE.

Anglia Revenue Partnership

The Council became a partner in the Anglia Revenue Partnership (ARP) on 13 October 2010. Breckland Council, East Cambridgeshire District Council, Fenland District Council, Forest Heath District Council, St Edmundsbury District Council, Suffolk Coastal District Council and Waveney District Council work together to provide their Revenues and Benefits services through the ARP. The Council pays ARP for the services it provides; this payment is included in the service costs in the CI&E Account.

East Cambridgeshire Local Authority Trading Company Ltd

East Cambridgeshire Local Authority Trading Company (LATC) Ltd formally started trading on the 1st April 2016, and as such there were no financial transaction for the company during the 2015-16 financial year.
The LATC is a key part of achieving the aims of both the Council's MTFS and the Corporate Plan, with its establishment formally approved by Full Council on the 7th January 2016. The LATC will provide the Council with a vehicle to:

- Act as the developer and build out good, high quality homes,
- Accelerate the delivery of Community Land Trusts (CLTs),

- Procure goods and services locally,
- Create a commercial culture,
- Win contracts outside of the District, and
- Generate profits to meet the aims of the Council.

Note 32. 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 which has yet to be financed. The CFR is analysed in the second part of this note.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (MRP) which reflects the use of the assets over their useful lives.

2014/15 £000		2015/16 £000
62	**Opening Capital Financing Requirement**	**20**
	Capital Investment	
202	Property, Plant and Equipment	608
49	Intangible Assets	25
538	Revenue Expenditure Funded from Capital under Statute	418
0	Repayable Advances	0
851		**1,051**
	Sources of finance	
(424)	Capital receipts	(632)
(280)	Grants and other contributions	(320)
(84)	Direct Revenue Financing – Other	(100)
(42)	Minimum revenue provision	(19)
(830)		**(1,071)**
20	**Closing Capital Finance Requirement**	**0**
0	**Increase/(Decrease) in Underlying Need to Borrow**	**0**

Note 33. Leases

Council as Lessee

Finance Leases

The Council had effectively acquired a number of Refuse Vehicles as embedded leases within its refuse collection arrangements. Although they were not directly leased by the Council the circumstances are such that the contractor has effectively allocated control of this equipment to the Council.

The assets acquired under these embedded leases were carried as Property, Plant and Equipment in the Balance Sheet, but have now been fully written down:

2014/15 £000		2015/16 £000
14	Embedded Leases Refuse Vehicles	0

The Authority was committed to making minimum payments under these leases through the service payment to the main contractor in settlement of the effective long-term liability for the interest in the vehicles. The minimum lease payments are made up of the following:

2014/15 £000		2015/16 £000
	Finance lease liabilities (net present value of minimum lease payments)	
20	Current	0
0	Finance costs payable in future years	0
20	**Minimum lease payments**	**0**

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

	Minimum lease payments		Finance lease payments	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Not later than 1 year	20	0	20	0
Later than 1 year and not later than 5 years	0	0	0	0
Later than 5 years	0	0	0	0
	20	**0**	**0**	**0**

The Council also has a number of other finance leases for public conveniences, a car park and an open space. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

The assets acquired under these embedded leases were carried as Property, Plant and Equipment in the Balance Sheet, but have now been fully written down:

2014/15 £000		2015/16 £000
330	Public Conveniences, Car Park, Open Space	342

The Authority was committed to making minimum payments under these leases through the service payment to the main contractor in settlement of the effective long-term liability for the interest in the vehicles. The minimum lease payments are made up of the following:

2014/15 £000		2015/16 £000
	Finance lease liabilities (net present value of minimum lease payments)	
6	Current	6
81	Finance costs payable in future years	75
87	**Minimum lease payments**	**81**

There will be no rent reviews or other adjustments (therefore no contingent rents apply). Consequently the minimum rentals is directly equal to the Finance Lease liability above.

As these amounts are immaterial, they have not been included in the Comprehensive Income & Expenditure Statement.

Operating Leases

The Authority has acquired the use of a number of assets by operational leasing. These relate mainly to various parcels of land and leased vehicles for senior officers. A significant number are at a peppercorn rent with the remainder at less than economic value. The future minimum lease payments on these assets are:

2014/15 £000		2015/16 £000
19	Not later than 1 year	18
28	Later than 1 year and not later than 5 years	27
22	Later than 5 years	20
69		**65**

The expenditure was charged to the Cultural and Related, Environmental and Transport Services lines in the Comprehensive Income and Expenditure Statement.

<u>Council as Lessor</u>

Finance leases

The Council has no finance leases as lessor.

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of public open space, recreation and public conveniences
- to provide for Registrar offices and Citizens Advice Bureau (NB the provision for City Council offices ended in 14/15 and is therefore not included in the 31 March 205 figures)
- to encourage small businesses
- and other minor items.

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

2014/15 £000		2015/16 £000
90	Not later than 1 year	80
195	Later than 1 year and not later than 5 years	134
145	Later than 5 years	126
430		**340**

The minimum lease payments receivable include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £0 contingent rents were receivable by the Authority (2014/15 £0).

Note 34. Impairment Losses

During 2015/16 the Council has recognised impairments to Property, Plant and Equipment of £0.695m.

Note 35. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of East Cambridgeshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund’s actuary based on triennial valuations. The last valuation took place as at 31 March 2013.

In 2015/16 the Council paid an employer's contribution of £1.096m representing 18.15% of employees pensionable pay (2014/15 £0.830m @ 21.5%) into the Cambridgeshire County Pension Fund. The contribution rate is set to meet 100% of the pension fund's liabilities. The scheme provides members of the Fund with defined benefits related to pay and service.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuary has allowed for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum for post-April service.

As a consequence of the triennial valuation, the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

<u>Transactions Relating to Post-Employment Benefits</u>

The Council recognises 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. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15 £000		2015/16 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
(1,016)	Current Service Cost	(1,266)
(89)	Past Service Cost	(44)
	Financing and Investment Income and Expenditure:	
(841)	Net interest expense	(792)
	Expected Return on Scheme Assets	
(1,946)	**Total post-employment benefit charged to the deficit on the provision of services**	**(2,102)**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
2,070	Return on plan assets (Excluding the amount included in the net interest expense)	(1,458)
(7,209)	Actuarial gains and losses arising on changes in financial assumptions	5,097
954	Other experience	383
(4,185)		4,022
(6,131)	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**1,920**
	Movement in Reserves Statement	
994	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	2,102
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
(912)	Employer's contributions payable to the scheme	(1,096)
(40)	Retirement benefits payable to pensioners*	(64)
42	**Total Movement in Reserves Statement**	**942**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a loss of £21.575m, and to the 31 March 2015 is a loss of £24.655m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities in respect of East Cambridgeshire District Council:

31 March 2015 £000		31 March 2016 £000
46,977	**Opening balance as at 1 April**	**55,106**
1,016	Current Service Cost	1,266
2,016	Interest Cost	1,765
275	Contributions by scheme participants	272
6,255	Actuarial losses / (gains) from changes in financial assumptions	(5,480)
	Other	0
89	Past service costs/ (gains)	44
(1,482)	Benefits paid	(1,441)
(40)	Estimated unfunded benefits paid *	(64)
55,106	**Closing balance at 31 March**	**51,468**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund

Reconciliation of fair value of the scheme assets in respect of East Cambridgeshire District Council:

31 March 2015 £000		31 March 2016 £000
27,501	**Opening fair value of scheme assets balance as at 1 April**	**30,451**
1,175	Interest Income	973
2,070	The return on plan assets (Excluding amount included in net interest expense)	(1,458)
912	Contributions by the employer	1,096
275	Contributions by employees into the scheme	272
40	Contributions for unfunded (Discretionary benefits)benefits*	64
(1,482)	Benefits paid	(1,441)
(40)	Unfunded (Discretionary benefits) benefits paid*	(64)
30,451	**Closing Balance at 31 March**	**29,893**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4.220m (2014/15; £4.185m loss).

Pensions Assets and Liabilities Recognised in the Balance Sheet

2014/15 £000		2015/16 £000
(55,106)	Present value of liabilities	(51,468)
30,451	Fair value of assets	29,893
(24,655)	**Deficit in the scheme**	**(21,575)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £21.6m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contribution expected to be made to the scheme by the Council in the year to 31 March 2017 is £1.084m.

Basis for estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, 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, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below.

2014/15	County Fund – Main Assumptions	2015/16
4.3%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate of discounting scheme liabilities	3.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.5 years	Men	22.5 years
24.5 years	Women	24.5 years
	Longevity at 65 for future pensioners	
24.4 years	Men	24.4 years
26.9 years	Women	26.9 years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2015 £000		31 March 2016 £000
913	Cash and cash equivalents	613
	Equity instruments by industry:	
3,016	Consumer	698
1,867	Manufacturing	584
858	Energy and utilities	510
2,490	Financial institutions	1,107
1,483	Health and care	476
1,377	Information technology	240
0	Other	0
11,090	Sub-total equity	3,615
	Private equity:	
2,159	All not in active markets	2,324
2,159	Sub-total private equity	2,324
	Other investment funds:	
4,643	Bonds	4,523
9,381	Equity	16,245
2,266	Other	2,573
16,289	Sub-total other investment funds	23,341
30,451	**Total Assets**	**29,893**

Sensitivity analysis:

Increase in assumption 31 March 2015 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2016 £000
1,653	Longevity (increase or decrease in 1 year)	1,544
1,901	Rate of increase in salaries (increase or decrease by 0.5%)	1,632
3,648	Rate of increase in pensions (increase or decrease by 0.5%)	3.703
5,676	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	5,425

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 36. Provisions, Contingent Assets and Liabilities

Provisions

	NDR Appeals Provision (1) £000	Maintenance of Amenity Areas (2) £000	Sports, Recreation & Historic Building Grants (3) £000	Local Land Charges (4) £000	Planning Appeals (5) £000	Total £000
Balance at 31 March 2015	**208**	**36**	**9**	**0**	**0**	**253**
Net movement in year 2015/16	217	0	(2)	74	**43**	**332**
Balance at 31 March 2016	**425**	**36**	**7**	**74**	**43**	**585**

1. NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review a provision for appeals outstanding was estimated to be £1,063m; of which £0.425m would have to be met by the Council, and £0.638m by other Collection Fund participants.

2. Maintenance of Amenity Areas

Amounts received which are used to fund the maintenance of amenity areas over a period of 15 years.

3. Sports, Recreation & Historic Buildings Grants

Grants committed by Committee which will be paid over the next two years.

4. Local Land Charges

A group of Property Search Companies have sought to claim refunds on Land Charges from Local Authorities. The Council has been informed that the settlement of this claim will be within the next 12 months, although this claim has neither been verified nor accepted by the Council. The provision included is an estimate based on the latest information available and includes legal costs and interest.

5. Planning Appeals

Planning application overturned at Planning Committee, applicant appealed and were awarded costs in exercise of the power under Section 250(5) of the Local Government Act 1972 and Schedule 6 of the Town and County Planning 1990 as amended and all other enabling powers in that behalf. East Cambridgeshire District Council shall pay the costs of the appeal proceedings associated with the application.

Contingent Liabilities

The Council's Contingent Liabilities cover a small number of on-going litigations. These are detailed below.

At the end of 2014-15 the below Contingencies were reported:

Position at 31st March 2015	Up-dated Position
There were three personal injury cases outstanding. The level of damages has not been ascertained but the amounts are not expected to be material. The Council's insurance company is dealing with the claims.	These have been dealt with by our insurers and are not expected to result in any further costs to the Council.
A group of Property Search Companies were seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £72,087.91 plus interest. The proposed settlement under the framework is for a cost of £52,719.08 plus interest.	An interim payment has been made, although we have already been notified of further costs which will fall due in 2016-17. This has been treated as a provision in this year's accounts.
There is an ongoing issue with the cost of the street lighting maintenance contract but this cost is not material.	This issue has been resolved and no further liability exists.
The Council has been notified of a claim in respect of tree damage in the region of £33,000. The Council and its insurers state that there has been no negligence and the Council is not liable.	This has been dealt with by our insurers and is not expected to result in any further costs to the Council.

New - Single Status Exercise

The Council has not yet formally completed a Job Evaluation Project to determine the salaries of all posts under the National Single Status Agreement. Any cost is not expected to be material.

Contingent Assets

There were no material contingent assets at the 31st March 2016.

Note 37. 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 as a result of changes in measures such as interest rates.

The Council's overall risk management programme focuses 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 the Finance Team with due regard to the Annual Treasury Management Strategy approved by the Council.

Credit risk

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

In relation to investments the Council has adopted CIPFA's *Code of Practice on Treasury Management in the Public Services,* has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's theoretical maximum exposure to credit risk in relation to its investments in banks and the money markets is equivalent to its total cash holding £19.691m (2014/15; £15.440m). However, in reality the true risk cannot be assessed, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2016 that this was likely to occur and there are no investments that as at 31 March 2016 were with institutions that had failed.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

Liquidity risk

The Council current liquidity risk is low, as it has significant cash holdings.

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. However if unexpected movements happen, the authority has ready access to borrowings from the PWLB and money markets, there is no significant risk that it will be unable to meet its commitments under financial instruments.

Market risk – Interest Rate Risk

The Council currently has cash surpluses and has no external borrowing. Its interest rate exposure is therefore limited to the interest rate movements on its investments.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget on a quarterly basis during the year. This allows any adverse changes to be taken into consideration. The analysis will also advise whether new borrowing taken out is fixed or variable and short term or longer.
A rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall.

A fall in interest rates would create the reverse effect.

Price risk

The Council invests in shares in one company to provide a local service. There is no intention to sell these shares and there is no other source of valuation of them so the risk is minimal.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Collection Fund

Non-Domestic Rates 2014/15 £000	Council Tax 2014/15 £000	TOTAL 2014/15 £000		Non-Domestic Rates 2015/16 £000	Council Tax 2015/16 £000	TOTAL 2015/16 £000
			INCOME			
[redacted]	44,494	44,494	Council Tax Receivable	[redacted]	45,580	45,580
18,111	[redacted]	18,111	Non Domestic Rates Receivable	19,448	[redacted]	19,448
(5)		(5)	Transitional Relief	(28)		(28)
18,106	**44,494**	**62,600**	**Total Income**	**19,420**	**45,580**	**65,000**
			EXPENDITURE			
			Repay Previous Years Surplus/(Deficit)			
(488)	[redacted]	(488)	Central Government	229	[redacted]	229
(390)	16	(374)	East Cambridgeshire District Council	183	20	203
(88)	88	0	Cambridgeshire County Council	41	109	150
[redacted]	14	14	Cambridgeshire Police & Crime Commissioner	[redacted]	18	18
(10)	5	(5)	Cambridgeshire Fire Authority	5	6	11
(976)	**124**	**(852)**		**458**	**153**	**611**
			Precepts Demands and Shares			
8,674	[redacted]	8,674	Central Government	9,039	[redacted]	9,039
6,939	5,576	12,516	East Cambridgeshire District Council	7,232	5,676	12,907
1,561	31,277	32,838	Cambridgeshire County Council	1,627	32,340	33,967
[redacted]	5,056	5,056	Cambridgeshire Police & Crime Commissioner	[redacted]	5,125	5,125
173	1,791	1,965	Cambridgeshire Fire Authority	181	1,816	1,997
17,348	**43,700**	**61,048**		**18,079**	**44,957**	**63,036**
			Charges to Collection Fund			
37	110	147	Less Write Off Uncollectable Amounts	(27)	(130)	(157)
82	199	281	Less Increase / (Decrease) in Bad Debt Provision	28	715	743
(431)	[redacted]	(431)	Less Increase / (Decrease) in Provision for Appeals	543	[redacted]	543
92		92	Less Cost of Collection	93		93
77		77	Renewable Energy Retentions	354		354
(143)	**309**	**166**		**991**	**585**	**1,576**
16,229	**44,133**	**60,362**	**Total Expenditure**	**19,528**	**45,695**	**65,223**
			Movement in Fund Balance			
(1,876)	**(361)**	**(2,238)**	**(Surplus)/Deficit For Year**	**108**	**116**	**224**
1,168	85	1,254	(Surplus)/Deficit Brought Forward 1 April	(708)	(276)	(984)
(708)	**(276)**	**(983)**	**(Surplus)/Deficit Carried Forward 31 March**	**(600)**	**(160)**	**(760)**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable / chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between East Cambridgeshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in East Cambridgeshire District Council's accounts. East Cambridgeshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax base at 31 March 2016 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	4,302	(615)	6/9	2,461.8
B	10,715	(995)	7/9	7,560.3
C	7,356	(502)	8/9	6,092.9
D	6,518	(339)	9/9	6,178.9
E	4,208	(177)	11/9	4,927.2
F	1,893	(66)	13/9	2,638.7
G	631	(22)	15/9	1,014.6
H	74	(3)	18/9	142.5
Total	**35,697**	**(2,718)**		**31,016.9**

Council tax charge per band D property for 2015/16 £1,590.68.
Council tax charge per band D property for 2014/15 £1,567.58.

3. Non Domestic Rates (NDR)

The uniform business rate set by the Government for 2015/16 was 49.3p (2014/15 48.2p).

Total rateable value at 31 March 2016 £47.790 million.
Total rateable value at 31 March 2015 £46.559 million.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.100m for the Collection Fund of which £0.040m would be the share of the attributable to the General Fund.

GROUP ACCOUNTS

The Council has a wholly own subsidiary East Cambridgeshire Business Centres Limited and as a result a set of group accounts for the group as a whole are produced. The accounts have been consolidated on a line by line basis, as per IFRS10.

The aim of the East Cambridgeshire Business Centres Limited is the promotion of economic development by providing a Managed Workspace Centre.

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USEABLE RESERVES £000	Unusable Reserves £000	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2015/16							
BALANCE AT 31 MARCH 2015 B/F	**(1,797)**	**(3,966)**	**(1,863)**	**(586)**	**(8,211)**	**3,585**	**(4,626)**
Surplus/(Deficit) on provision of services	(1,469)				**(1,469)**		**(1,469)**
Other comprehensive income and expenditure					**0**	(4,766)	**(4,766)**
Total comprehensive income and expenditure	**(1,469)**	**0**	**0**	**0**	**(1,469)**	**(4,766)**	**(6,235)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(1,967)	0	(860)	**60**	**(2,767)**	2,767	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(3,436)**	**0**	**(860)**	**60**	**(4,236)**	**(1,999)**	**(6,235)**
Transfers (from)/to earmarked reserves (Note 8)	3,437	(3,941)	0	**505**	**0**	0	**0**
Increase/(Decrease) in Year	**0**	**(3,941)**	**(860)**	**565**	**(4,236)**	**(1,999)**	**(6,235)**
BALANCE AT 31 MARCH 2016 C/F	**(1,797)**	**(7,907)**	**(2,723)**	**(21)**	**(12,448)**	**1,586**	**(10,861)**
Movement in reserves during 2014/15							
BALANCE AT 31 MARCH 2014 B/F	**(1,797)**	**(3,550)**	**(1,956)**	**(274)**	**(7,577)**	**(275)**	**(7,852)**
Surplus/(Deficit) on provision of services	83				**83**		**83**
Other comprehensive income and expenditure						3,143	**3,143**
Total comprehensive income and expenditure	**83**	**0**	**0**	**0**	**83**	**3,143**	**3,226**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(499)		94	**(312)**	**(717)**	717	**0**
Net increase/(decrease) before transfers to earmarked reserves	**(416)**	**0**	**94**	**(312)**	**(634)**	**3,860**	**3,226**
Transfers (from)/to earmarked reserves (Note 8)	416	(416)			**0**	0	**0**
Increase/(Decrease) in Year	**0**	**(416)**	**94**	**(312)**	**(634)**	**3,860**	**3,226**
BALANCE AT 31 MARCH 2015 C/F	**(1,797)**	**(3,966)**	**(1,863)**	**(586)**	**(8,211)**	**3,585**	**(4,626)**

Group Comprehensive Income and Expenditure Statement

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
2,188	(837)	1,351	Cultural and Recreational Services	1,457	(662)	795
4,936	(615)	4,320	Environmental Services	6,102	(2,375)	3,727
3,474	(2,885)	589	Planning Services	3,720	(2,455)	1,265
22,966	(22,355)	611	Housing Services	21,767	(21,112)	655
413	(238)	175	Highways and Transport Services	413	(311)	102
1,673	(701)	972	Central Services	1,569	(857)	712
2,320	(259)	2,061	Corporate and Democratic Core	1,595	(369)	1,226
89	0	89	Non-Distributed Costs	400	(5)	396
38,059	**(27,891)**	**10,168**	**Cost of Services** (note 27)	**37,023**	**(28,146)**	**8,877**
		1,614	Parish Council Precepts			1,658
		436	Internal Drainage Board Levies			457
		128	Loss/(Gain) on disposal of non-current assets			(266)
		2,178	**Other Operating Expenditure**			**1,849**
		5	Interest payable and similar charges			0
		(145)	Interest receivable and Investment Income			(110)
		841	Net interest on the net pension liability			792
		701	**Financing & Investment Income & Expenditure**			**682**
		(5,638)	Council Tax Income			(5,676)
		(2,722)	Non Domestic Rates income and expenditure			(3,658)
		(4,597)	Non Ringfenced Government Grants			(3,545)
		(12,958)	**TAXATION & NON-SPECIFIC GRANT INCOME**			**(12,879)**
		89	**(Surplus)/Deficit on provision of services**			**(1,469)**
		(1,042)	(Surplus) or deficit in the revaluation of non-current assets			(744)
		4,185	Actuarial losses/(gains) on pension assets and liabilities (Note 39)			(4,022)
		3,142	**Other comprehensive income and expenditure**			**(4,766)**
		3,232	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(6,235)**

Group Balance Sheet

31 March 2015 £000		Notes	31 March 2016 £000
19,559	Property, Plant and Equipment	1	19,002
105	Heritage Assets		105
0	Investment Property		0
93	Intangible Assets		79
0	Investments in subsidiaries		0
285	Long Term Debtors		321
20,041	**Long Term Assets**		**19,507**
7,525	Short Term Investments		10,028
38	Inventories		36
2,405	Short Term Debtors		2,804
8,013	Cash and Cash Equivalents		9,477
650	Assets held for sale		0
18,630	**Current Assets**		**22,345**
0	Cash and Cash Equivalents		(49)
0	Short Term Borrowing		0
(5,001)	Short Term Creditors		(4,276)
(253)	Provisions		(4,279)
(5,254)	**Current Liabilities**		**(8,604)**
0	Long Term Borrowing		0
(1,344)	Capital Grants Receipts in Advance		(584)
(24,655)	Net Pensions Liability		(21,575)
(25,999)	**Long Term Liabilities**		**(22,159)**
7,419	**Net Assets**		**11,089**
(10,728)	Useable Reserves		(12,279)
3,309	Unusable Reserves		1,190
(7,419)	**Total Reserves**		**(11,089)**

Group Cash Flow Statement

2014/15 £000		2015/16 £000
(83)	Net Surplus / (Deficit) on the provision of services	1,469
2,366	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,650)
(814)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,158)
1,469	Net cash flows from Operating Activities	**(14,339)**
(704)	Investing Activities	19,416
1,018	Financing Activities	(3,670)
1,783	Net increase/(decrease) in cash and cash equivalents	**1,407**
6,183	Cash and cash equivalents at the beginning of the reporting period	7,967
7,966	**Cash and cash equivalents at the end of the reporting period**	**9,374**

Group Notes 1: Property, Plant and Equipment

Movements in 2015/16	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2015	**14,564**	**7,045**	**720**	**847**	**0**	**989**	**24,165**
Additions in year		78				531	**609**
Revaluation increases and decreases recognised in the Revaluation Reserve	162			67	450		**679**
Revaluation increases and decreases recognised in Comprehensive Income and Expenditure Statement	(704)			(48)			**(752)**
Transfer within Property, Plant and Equipment							
Transfer to other types of assets					(450)	(50)	**(500)**
Adjustment for disposal	(17)	(1,137)					**(1,154)**
At 31 March 2016	**14,003**	**5,986**	**720**	**866**	**0**	**1,470**	**23,045**
Accumulated Depreciation							
At 1 April 2015	**(778)**	**(3,766)**	**(52)**	**(10)**			**(4,606)**
Depreciation charged in year	(203)	(463)	(4)	(2)			**(672)**
Depreciation written out to revaluation reserve	66						**66**
Depreciation written out to Comprehensive Income and Expenditure Statement	57						**57**
Adjustment for disposal	1	1,111					**1,112**
At 31 March 2016	**(857)**	**(3,118)**	**(56)**	**(12)**	**0**	**0**	**(4,043)**
Net Book Value							
At 31 March 2016	**13,147**	**2,868**	**663**	**854**	**0**	**1,470**	**19,002**
At 31 March 2015	**13,786**	**3,279**	**668**	**837**	**0**	**989**	**19,559**

Movements in 2014/15	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2014	**14,587**	**7,916**	**720**	**867**	**10**	**868**	**24,969**
Additions in year	(3)	84				121	**202**
Revaluation increases and decreases recognised in the Revaluation Reserve	114				640		**755**
Transfer to other types of assets					(650)		**(650)**
Adjustment for disposal	(134)	(955)		(20)			**(1,109)**
At 31 March 2015	**14,564**	**7,045**	**720**	**847**	**0**	**989**	**24,165**
Accumulated Depreciation							
At 1 April 2014	**(846)**	**(4,164)**	**(48)**	**(38)**	**0**	**0**	**(5,097)**
Depreciation charged in year	(223)	(557)	(4)	(2)			**(787)**
Depreciation written out to revaluation reserve	277			31			**308**
Adjustment for disposal	14	955					**969**
At 31 March 2015	**(778)**	**(3,766)**	**(52)**	**(10)**	**0**	**0**	**(4,607)**
Net Book Value							
At 31 March 2015	**13,786**	**3,279**	**668**	**837**	**0**	**989**	**19,559**
At 31 March 2014	**13,741**	**3,752**	**672**	**829**	**10**	**0**	**19,872**

Group Notes 2: Unusable Reserves

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 and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000	2014/15 £000	Capital Adjustment Account	2015/16 £000	2015/16 £000
	(14,940)	**Balance at 1 April**		**(14,474)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
773		Charges for depreciation and impairment of non-current assets	659	
0		Impairment losses on property, plant and equipment	695	
46		Amortisation of intangible assets	39	
538		Revenue expenditure funded from capital under statute	389	
128		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	1,192	
0		Other transactions	29	
(189)		Adjusting amounts written out of the Revaluation Reserve	(1,189)	
	1,296			1,814
		Capital financing applied in the year:		
(424)		Use of the Capital Receipts Reserve to finance new capital expenditure	(631)	
		Use of S106 earmarked reserves		
(231)		Application of grants to finance capital expenditure	(295)	
(49)		Application of grants to capital financing from the Capital Grants Unapplied Account	(25)	
(42)		Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(20)	
(84)		Capital expenditure charged to General Fund	(100)	
	(831)			(1,071)
	465	**Total movements**		**743**
	(14,474)	**Balance at 31 March**		**(13,731)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- 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.

2014/15 £000	**Revaluation Reserve**	**2015/16 £000**
(5,589)	**Balance at 1 April**	**(6,442)**
(1,042)	Upward revaluation of assets	(744)
(1,042)	**(Surplus) or deficit in the revaluation of non-current assets**	**(744)**
98	Accumulated gains on assets sold or scrapped	1,099
91	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	89
(6,442)	**Balance at 31 March**	**(5,998)**

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of initial costs of assets.

Asset
An item having value to the Council in monetary terms.

Balance
Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District
A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure
Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Adjustment Account
The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts
Income received from selling non-current assets.

Carrying amount
The value of an asset or liability in the Balance Sheet.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund
A separate fund that records the income and expenditure relating to council tax and non-domestic rates.

Community Infrastructure Levy
An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors
Sums of money owed to the District Council but not received by the end of the financial year.

Depreciation
The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves
Money set aside for a specific purpose.

Exceptional Item
A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

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

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment
A reduction in the value of property, plant and equipment to below its carrying amount on the Balance Sheet.

Impairment of debts
This recognises that the real value of debt is less than the book value.

Intangible Assets
A non-physical item which provides future economic benefits. This Council’s intangible assets comprise computer software licences.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Local Enterprise Partnership
A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the "partnership" to fund schemes.

Minimum revenue provision
The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept
A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments
These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment
Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is "material" then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2011, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be "restated" as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revaluation Reserve The account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal.

Revenue Expenditure
Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DCLG	Department for Communities and Local Government
DRC	Depreciated replacement cost
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
S106	Section 106
SOLACE	Society of Local Authority Chief Executives