Cambridgeshire County Council

CAMBRIDGESHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS
AND
ANNUAL GOVERNANCE STATEMENT
2021-22

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Cambridgeshire County Council

KEY NUMBERS

Some of the key numbers for the reader to note are that:

	2020-21 £m	2021-22 £m	Note
Revenue			
Expenditure	1,068.5	1,086.8	Expenditure and Income Analysed by Nature (page 60)
Income *	-1,083.7	-1,114.5	Expenditure and Income Analysed by Nature (page 60)
Net	-15.2	-27.7	
Capital			
Expenditure	176.8	166.2	Narrative Report (pages 15 – 17)
Financing	-176.8	-166.2	Narrative Report (pages 15 – 17)
Net	0.0	0.0	
Total reserves **	357.7	613.8	Movement in Reserves Statement (page 43)

* total income less £90.9m capital grants and contributions (previous year £86.0m)
** includes usable reserves of £246.7m at 31 March 2022 (previous year £215.5m)

NARRATIVE REPORT

INTRODUCTION

This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2021 to 31 March 2022 and provides a comprehensive summary of the overall financial position of the Council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative statement provides a summary of the most significant matters reported within the accounts and of the Council's financial position at 31 March 2022. Although focused on the year reported that ended on 31 March 2022, the narrative statement aims to provide an up-to-date overview of the Council's financial position.

OUR VISION AND AMBITION

Subsequent to the approval of the Council's Business Plan for 2021-22, the political leadership of the Council changed following the elections in May 2021. On 14 May 2021, a Joint Agreement was signed by the Leaders of the Liberal Democrat, Labour and Independent groups. The following week at the Council's annual general meeting, a new Joint Administration was agreed to lead the Council.

The Joint Administration placed Covid recovery for all of Cambridgeshire – children and families, local businesses, and working people – and bringing forward targets to tackle the climate emergency, at the top of the Council's policy agenda. There was also a commitment to form strong and positive partnerships as members of the Cambridgeshire & Peterborough Combined Authority and the Greater Cambridge Partnership in the areas of public health, support for business, climate change, public transport, and building affordable, sustainable homes. A new strategic framework was discussed and agreed at Full Council in February 2022, setting out how our councillors and staff across Cambridgeshire are committed to creating a greener, fairer and more caring Cambridgeshire. To achieve this vision, we have five corporate priorities as our key areas of focus, which draw input from all areas of the organisation.

Our Priorities Outcomes

We are committed to:

- **Tackling climate change and sustainability**
- **Ensuring people in Cambridgeshire enjoy healthy, safe and independent lives.**
- **Ensuring Communities are inclusive, creative and equitable**
- **Ensuring Children and young people have the opportunity to thrive**
- **Enabling safer and sustainable travel around the county.**

As a Council we are reforming how we work to decentralise and deliver our priority outcomes. We want to meet ambitious targets to deal with the climate crisis, support areas of the county or individuals who are in most need and improve people's lives. We aim for our services to be more sustainable and for people to get what they need as close to home as possible. We have also established a £14m Just Transition Fund to provide investment to move to a more sustainable Cambridgeshire in a way that is fair to everyone.

The Council has committed to establish community-based models of service delivery and continues to focus on protecting and caring for the most vulnerable in our county. In 2022-23, a £2.9 million Countywide programme has been created to support older people living in their own communities and homes for longer. We also acknowledge the hardships faced by our children and young people, who have faced great challenges as a result of the Covid-19 pandemic. There is also continued funding for free school meals of £15 per week for each eligible child throughout the school holidays.

The Council has put responding to the climate emergency at the centre of our priorities. Meeting this commitment will require a transformation of our procurement practices for a greener future and investment into low carbon technologies, services and infrastructure supported by innovative green investment models. In 2022-23, the Council agreed an investment of at least £4.6m over five years in climate change related policies, including addressing the causes of flooding and to support improvements in biodiversity. This is in addition to planned investments in a Council owned solar farm, smart energy grids, community heat schemes and decarbonisation of our property estate totalling more than £80m.

We have already made £121m in savings over the last five years. 2022-23 will require us to deliver a further £12m. As our resources come under increasing pressure as the effects of the pandemic become clear, we will continue to progress our plans for transforming how we support our residents.

The Council's 2022-23 Business Plan, approved at the Full Council meeting on 8th February 2022, outlines these priorities in more detail and is available on the Business Planning pages of our website. The Council's latest Business Plan for 2023-24 was reviewed and approved by Full Council on 9th February 2023, and business planning papers for 2024-25 are now also being scrutinised ahead of Full Council in early February 2024.

FINANCIAL PERFORMANCE

The financial performance of the Council is monitored by the Strategy, Resources & Performance Committee (formerly the Strategy & Resources Committee) using a monthly Integrated Finance Monitoring Report. Most recent copies of these reports can be viewed on the finance and performance page of our website.

Performance against the 2021-22 Business Plan

Significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and core financial statements. Key Performance Indicators (KPIs) are normally grouped by outcome area and their status and direction of travel reported to Committees; however, KPI reporting was put on hold for much of the year due to the impact of the pandemic (see below for further detail).

Achievement of priorities is within the context of the challenging funding position for local authorities. The Council has become more efficient to deliver the outcomes it has prioritised and to enable the delivery of the objectives and services that it has planned to deliver within the business plan.

The following table provides a snapshot of the Council's performance at year end by value and was reported to the Strategy and Resources Committee on 27 June 2022.

Revised Net Budget	**Area**	**Measure**	**Outturn**	**Year End Position 31-03-2022**
£436.5m	Revenue Budget	Variance (£m)	£417.8m	-£18.8m
£174.0m	Capital Programme*	Variance (£m)	£130.3m	-£43.7m
£805.0m	Balance Sheet Health	Net borrowing activity (£m)	£679.5m	-£125.5m

** These figures include budget / expenditure funded under the Flexible Use of Capital Receipts direction but do not include budget / expenditure that is under the remit of the Greater Cambridge Partnership.*

The overall revenue budget position was an underspend of -£18.8m; this is -4.3% variance to the year-end budget. The underspend reflects the unprecedented impact of the pandemic on the Council's budget. Chief amongst these were ensuring the Council deployed national grants to meet the pressures the Council faced and that the levels of growth and demand for care home based social care for adults was much lower than the projected level. Whilst this reflects that to date the impacts of the pandemic have been appropriately funded and the Council has planned for an increase in the level of reserves it holds, there are major challenges ahead both in terms of demand for services resulting from long-term effects of the pandemic and the impacts of economic uncertainty and inflation. Given the scale of the risks and potential pressures the Council is facing, the underspend in 2021-22 enables the Council some additional flexibility to face these challenges.

The capital programme variance was 25% for 2021-22, in cash terms this represented a reduced level of slippage compared to the previous two years. There were a range of factors causing capital rephasing this year, including delays due to the complexity of decision-making involving multiple external stakeholders, issues with sourcing materials, delays in tendering processes, delayed starts on site, restrictions on sites due to Covid, delays in condition surveys due to Covid and lack of capacity in project team resources.

Performance data for the Council

During 2021-22, the Council adopted a new Performance Management Framework that sets out how we manage the performance of the Council and ensures that there is a consistent, streamlined and joined-up approach. At the end of quarter four of 2021-22, formal KPI reporting to most Service and Policy committees remained suspended due to the Council's emergency pandemic response. At that point, all Committees were in the process of developing a revised suite of KPIs in response to the new framework.

Performance information is published on LG Inform, the local area benchmarking tool from the Local Government Association. This information is derived from statutory returns submitted to Government and covers the key elements of all Council services. Some performance information was reported to the Strategy and Resources Committee in March 2022. This information related to organisational health and showed the following RAG ratings for 14 Corporate Services KPIs:

RAG rating	Number of indicators
Blue	3
Green	3
Amber	3
Red	3
Other	2
Total	**14**

The RAG statuses used were:

- Blue – current performance is better than target by more than 5%
- Green – current performance is on target or up to 5% over target
- Amber – current performance is off target by 10% or less
- Red – current performance is off target by more than 10%

- Other – performance is currently being tracked to inform the target setting process, or key activity is being measured where a target has not been deemed pertinent by the relevant service lead

Revenue spending on Services

The Council's net cost of services for 2021-22 was £484.8m. This figure was £67.0m higher than the net expenditure for the year of £417.8m that was reported to the Strategy and Resources Committee in June 2022. The Statement of Accounts are prepared on a different accounting basis to those reports presented to members for resource allocation decisions (the Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits).

The Council has continued to face financial challenges during 2021-22, principally due to the unprecedented impact of the Covid-19 pandemic. Every Council department experienced disruption to its budgetary provision, and in some cases completely different patterns of service demand as well as wholly new activities and initiatives needed to be supported dynamically and at short notice. The scale of additional funding in response has also been significant; major additional grants received in 2021-22 by the Council totalled £59.7m. Substantial funding for outbreak management and mitigation has been used in 2021-22 to reimburse the Council for costs incurred by staff in responding to Covid since the start of the pandemic. Several contingencies set aside for additional pandemic-related costs were not fully required, in part due to late government funding announcements. In particular, the government announced very late in 2020-21 that free access to Personal Protective Equipment would continue, resulting in the 2021-22 Council budget for this not being required.

Demand for social care services grew by less than expected. Budgets for growth in demand were set before the outcome of much of the pandemic was known and included a significant expected increase in need for key services that has not yet appeared. However, there is a risk that need for social care was only delayed by the pandemic and could appear in a later year at increased cost. The pandemic has also affected the social care provider market, which has seen increased demand for home care and has struggled to fully resource it. Adults Commissioning are developing strategies that will enable them to work with the provider market to develop the provision needed for our service users, both now and in the future. This should lead to more choice when placing service users with complex needs and consequently reduce cost pressure in this area, but this is a long-term programme, and it is unlikely to deliver savings in the short term. Social work teams and Adults Commissioning are also working on strategies to increase the uptake of direct payments. This will deliver more choice for service users and decrease reliance on the existing care market.

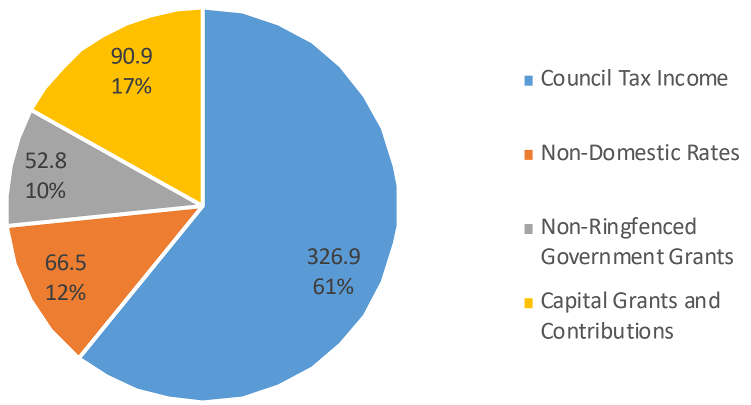
The impact of the pandemic led to a notable reduction in the number of people having their care and support needs met in care homes. However, the financial position of this service is uncertain. There is a growing number of people who have survived Covid, who now have significant needs. Many vulnerable adults have developed more complex needs as they have not accessed the usual community-based or early help services due to lockdown. The impact of delayed health care treatments, such as operations, will also negatively impact individual needs and health inequalities. We anticipate that demand will increase as we complete more annual reviews, many of which are outstanding due to the pandemic.

The number of children and young people with an Education, Health and Care Plan (EHCP), and the complexity of need of these young people has continued to rise at an accelerated rate. The additional costs to meet the needs of these young people contributed to an in-year overspend on the Dedicated Schools Grant (DSG) of £13.0m, resulting in a cumulative DSG deficit of £39.3m to be carried forward into 2022-23. This is a ring-fenced grant and, as such, overspends do not currently affect the Council's bottom line. We continue to work with the Department for Education (DfE) to manage the deficit and evidence plans to reduce spend.

The Council's interest payable on borrowing underspent by £2.5m, mainly due to historically low interest rates allowing the Council to secure cheaper market loans from other Local authorities and the Public Works Loan Board. As a result, the Council decided to make an overpayment of £3.4m on its Minimum Revenue Provision (a charge made on the Council's revenue budget to finance its capital programme). The value of the overpayment is the estimate of the impact of potential changes to Minimum Revenue Provision (MRP) on third-party loans that are currently being consulted on by Central Government. As the consultation is not yet concluded, and there is a potential for an impact should it not resolve in our favour, it is considered prudent to overpay MRP to an equivalent amount, which provides some offset for one year should the consultation not resolve in the Council's favour.

Despite the scale of the challenge the Council has faced this year, the 2021-22 year-end outturn position was a £18.8m underspend. The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £537.0m as shown below:

Sources of Funding £537m (£000)



The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement (page 42).

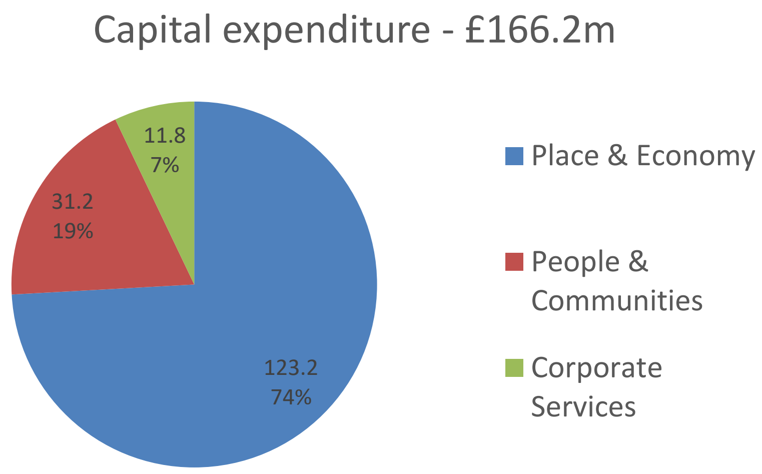
Capital spending and financing

The Council's adjusted capital budget for the year was £172.3m plus £40.0m Greater Cambridge Partnership and £11.0m Horizons budgets. Actual capital expenditure financed from capital resources for the year was £166.2m, leaving £57.1m (26%) of the adjusted capital budget unspent at the year end. This was largely due to the timing of spending and in most cases does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not been incurred as had been profiled within the business plan. In 2021-22 the key areas where spend varied from planned budgets were:

- Care Suites in East Cambridgeshire (£5.5m) – the in-year underspend primarily related to a delayed start while the project is still in the planning stages with the NHS confirming the overall scope
- Housing Schemes (£6.7m) – improved cash flows for This Land meant further borrowing from the Council was not needed
- Swaffham Prior Community Heat Scheme (£5.6m) – part of the underspend (£2.7m) related to the Heat Network Investment Project spend which, when assessed at year end for the appropriate accounting treatment, was determined should be included within the accounts of

- the Special Purpose Vehicle, rather than the Council. There were also delays on the delivery of the energy centre as a result of site asbestos contamination which needed to be cleared, and the difficulty getting hold of cladding materials
- North Angle Solar Farm, Soham (£3.6m) – the in-year underspend was primarily due to a delay with the power network, with further delays since experienced as a result of the private wire element of this project
- Waterbeach Waste Treatment Facilities (£4.5m) – work has been reprofiled and has not commenced as of 2023-24
- Investment in Connecting Cambridgeshire (£9.2m) – spend for this year was reprofiled due to Covid and contractual delays

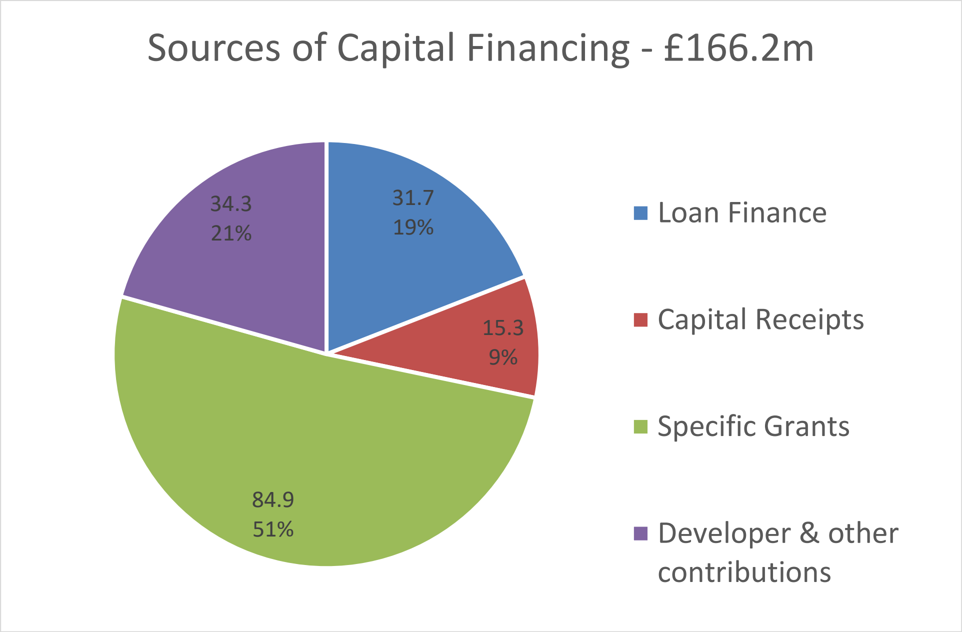
A variations budget is used to account for an expected level of slippage which is inherent within capital projects. This year, other than the above schemes, there were other smaller in-year delays in the timing of spending beyond the variations budget, due to a range of factors including issues with sourcing, supply and lead times of obtaining materials, and the impact of Covid-19.



The chart above outlines the £166.2m capital expenditure made during the financial year.

The cost of borrowing has been factored into the 2021-22 debt charges outturn position, as well as being accounted for within the 2022-2027 business planning process.

The following chart outlines how the £166.2m capital expenditure was financed this year.



Loan finance is undertaken through borrowing, typically from either the Public Works Loan Board (PWLB) or from other Local Authorities, where the Council subsequently meets interest and repayment costs from its own resources.

The Council received £20.2m of Capital Receipts in year, of which £15.3m was used to fund part of the capital programme.

Reserves

The Council's total reserves have increased in-year by £256.0m, to £613.8m at 31 March 2022. This balance comprises £246.7m (40%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £367.1m (60%) of 'unusable' reserves (those that an authority is not able to utilise to provide services, e.g. the revaluation reserve which contains the gains arising from increases in the value of certain assets, which will not release cash until the assets are sold).

A proportion of the Council's usable reserves (the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2022, these reserves stood at £200.4m. Of this balance, the General Fund comprised £46.4m and reserves earmarked for specific purposes totaled £154.1m, including a £26.2m transformation fund (most of which was re-purposed effective from 1 April 2022 into other reserves including a new Just Transition Fund and to offset our growing deficit on schools spending), and £4.7m to cover insurance risks.

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

General Fund and Earmarked Reserves	£m
Balance at 1 April 2020	168.3
General Fund	20.3
Schools Carry Forwards	-0.2
Other Earmarked Reserves	12.1
Balance at 31 March 2021	200.4

Assets and liabilities

The Council's cash and cash equivalents position increased in the year by £1.1m from £92.6m at 31 March 2021 to £93.7m at 31 March 2022, reflecting an increase in long-term borrowing.

During 2021-22, the net assets of the Council and its Balance Sheet value increased by £256.0m (a 71.6% increase), from an opening balance of £357.7m to a closing balance of £613.8m at 31 March 2022. The net increase was driven by a combination of a decrease in liabilities relating to the pension fund and borrowing, and an increase in the value of property, plant and equipment, investments and short-term debtors.

External borrowing and investment

Total debt outstanding at 31 March 2022 was £778.0m (consisting of £628.0m long-term borrowing and £150.0m short-term borrowing), which was well within the Capital Financing Requirement Limit of £1,026.6m determined in accordance with legislation. Long-term borrowing increased by £65.6m during the year, and short-term borrowing decreased by £98.9m.

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

KEY PROJECTS AND ACTIVITIES

Covid-19 Impacts

The Covid-19 pandemic continued to impact on service delivery and finances throughout 2021-22, with resources in place to support residents through the pandemic. Like other local authorities, Cambridgeshire County Council continued to receive additional funding from Government in response to the pandemic, much of which was passported on to the care sector. The Council participated in the regular central monitoring exercise.

In Adult Social Care, the impact has been focussed on working with health and care partners and providers to ensure timely pathways for hospital discharge and to stabilise the independent care market, which has faced increasing costs and workforce recruitment and retention issues. The Council also distributed over £14.5m in funding from central government to social care providers for infection control, testing, and workforce capacity, including additional funding provided as a result of the emergence of the Omicron variant of Covid-19. There is a likelihood of additional demand pressures over the medium-term due to people not accessing care during the pandemic and therefore presenting with increased needs, as well as the reduced amount of preventative work that was possible.

The Council has also continued to lead on system-wide outbreak management work through our Public Health directorate. This has involved working with district, NHS and other partner organisations to manage local test & trace and other outbreak management measures. £3m of government grant was provided for this work in 2021-22, in addition to funding carried forward from 2020-21 as the outbreak management programme was extended.

Within Education there has been continued support to schools and other educational provision as part of the recovery from the Covid-19 pandemic. The cumulative revenue balances held by maintained schools have remained reasonably consistent to the levels at the end of the 2020-21 financial year. Alongside other grants, maintained schools received around £760k of Recovery Premium across the 2021-22 academic year to support pupils whose education has been impacted by the pandemic. The Council has also continued to distribute a national grant to schools and education settings to enable children to access school meals during holidays.

In relation to the County's investment activities, there was an underachievement of target income from the property portfolio due to reduced rental income, particularly in relation to leisure property and student accommodation. These returns are expected to return to pre-pandemic levels in the longer-term but are being closely monitored for any ongoing impact.

Within Place and Economy, there continued to be a shortfall in the normal level of income in Parking Operations, particularly in relation to on-street parking and bus lane enforcement, although the level of income greatly improved from 2020-21. The government grant to mitigate loss of income partly offset these pressures, but there was still a net residual loss. Parking income is not expected to fully return to pre-pandemic levels.

Large numbers of Council staff have continued to work from home where possible during the year, in accordance with government guidance, and benefitting from recent investments by the Council in agile ways of working. February 2022 saw a phased return to the office for more staff whilst continuing to comply with building ventilation guidance.

SEND Transformation / Safety Valve Intervention Programme

In response to the increasing demand and financial pressures, an extensive Special Educational Needs and Disabilities (SEND) Transformation programme has been developed aiming to shift system behaviours, manage demand, increase local provision and improve processes across the SEND system.

Alongside this, the Department for Education (DfE) introduced the safety valve intervention programme in 2020-21 in recognition of the increasing pressures on high needs, targeting local authorities with the highest Dedicated Schools Grant (DSG) deficits. The programme has been expanded in 2022-23, and based on the latest cumulative DSG deficit, Cambridgeshire was selected to participate in the next round. The programme requires local authorities to develop substantial plans for reform to their high needs systems, with support and challenge from the DfE, to rapidly place them on a sustainable footing. If the authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability and are effective for children and young people, including reaching an in-year balance as quickly as possible, then the DfE will enter into an agreement with the authority, subject to Ministerial approval. The Council’s plans were submitted to the DfE in September 2022, and updated in January 2023. Cambridgeshire was successful in getting a safety valve agreement in 2023, resulting in additional funding from government for school capacity and to meet part of the accumulated deficit, on condition that the recovery plan is put into effect.

Local authorities are held to account for the delivery of their plans and hitting the milestones in the plans via quarterly reporting to the DfE. If adequate progress is being made, authorities will receive incremental funding to eliminate part of their historic deficits, generally spread over five financial years, alongside an expectation that Councils and the schools sector make a contribution themselves. If the conditions of the agreement are not being met, payments may be withheld.

Low Carbon Energy Generation

The Council has a key role to place in tackling climate change through generating renewable energy on buildings and land owned by us, ensuring availability of low carbon energy to residents and businesses. To deliver on this we piloted the Triangle Solar Farm near Soham, which went live in 2017 and have since commenced work on a range of other solar electricity generation projects including at North Angle Farm, Babraham & St Ives park & rides, Stanground near Peterborough and in the car park of our New Shire Hall building.

We are developing a low carbon community heat network in the village of Swaffham Prior, becoming one of the first examples of retrofitting a heating network into an existing community. We are also aiming to make all of our owned and operated buildings carbon neutral by 2025.

These energy generation projects deliver both on our pledge to move towards net zero as a county, as well as providing a financial return to the Council through the sale of electricity to customers.

Think Communities and Covid-19 Co-ordination Hub

The Think Communities partnership approach has been developed in collaboration with partners to create a shared vision, approach, and priorities for building community resilience across the county. Our vision is that people feel safe, healthy and connected and able to help themselves and each other, in communities that are integrated and possess a sense of place through a public sector-wide approach where partners listen, engage and align with communities.

The Covid-19 Co-ordination Hub was originally created to provide a holistic and sustainable offer of support to residents and communities across Cambridgeshire during the pandemic. The focus has always been on supporting vulnerable groups, but the Hub has continued to adapt in response to the pandemic as it has evolved, and beyond. Initially supported by redeployed staff, it has helped with the vaccination rollout, coordination of volunteers and supporting families that are facing increased financial hardship, initially because of the pandemic, but now also related to the cost-of-living crisis. Increasing numbers of people are struggling to meet their basic needs despite unemployment rates being the lowest since records began. This is borne out by local demand on services that provide support to those in financial need.

During 2021-22, the Hub administered and delivered the Department for Work and Pensions' Household Support Fund (HSF). The financial support delivered by the HSF can be vital in the short term, however, the provision of emergency financial support does little or nothing to address the causes of financial distress and inequality suffered by increasing numbers of people, or to support people to access longer-term help and support that they may be eligible for. The Hub saw more than 25,000 direct applications for support over the last 6 months of 2021-22, with almost 700 applications received in a single day in the early part of the year. The Joint Administration identified anti-poverty as one of its priorities and therefore to address this, the Council's locally funded version of the HSF (also being delivered through the Hub) is taking a different approach. Free from the constraints of the national fund, the local approach seeks to ensure that those in need are aware of and are utilising the full range of benefits and services available to them. As such, the Hub will speak to those in need and make them aware of (and facilitate applications to) services such as free school meals, Healthy Start, free childcare offers, warm home discounts, Council Tax reduction schemes, and more. This approach was co-designed with partners in district councils and the voluntary and community sector, based on the learning from the delivery of the Household Support Fund 2021-22. Funding from government for the Household Support Fund, backed by local resources, continued into 2022-23 and 2023-24.

Greater Cambridge Partnership (GCP)

Signed in June 2014, the Greater Cambridge Partnership (GCP) is an arrangement between four local partners: the County Council, Cambridge City Council, South Cambridgeshire District Council and the University of Cambridge.

GCP is the local delivery body for the Greater Cambridge City Deal with central Government, bringing powers and investment to vital improvements in infrastructure and technology, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships. In response to Covid-19 additional training and apprenticeship opportunities have since been created and will continue to be delivered.

It one of the largest City Deal programmes taking place in the UK and brings key partners together to work with communities, businesses, and industry leaders to support the continued growth of one of the world's leading tourism and business destinations. GCP aims to share prosperity and improve quality of life for the people of Greater Cambridge, now and in the future.

The GCP's City Deal is worth up to £500 million in government grant funding to 2030 for transport infrastructure, smart technology, accelerating housing delivery and tackling the skills shortage faced by businesses in the area. £100 million of government funding was made available until 2020, and at the start of 2020-21 it was confirmed that the programme had successfully passed the 2020 gateway review which allocated an additional £200m over the period to 2024-25. A further gateway review is due to take place in 2025 which, if successfully passed, will unlock a further £200m of government grant. The GCP will also generate local funding, for example through Section 106 agreements with developers, and explore private funding opportunities. This complements existing capital expenditure plans in the area.

For further details and more information about the individual projects being undertaken by GCP please visit their website.

This Land Group (Housing Development)

The Council is committed to making a major contribution to addressing local housing needs. This Land was established by the Council in 2016, in order to enable development of land for housing. The Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

The Council did not advance any additional loans to This Land during 2021-22 reflecting the company's cashflow profile. The company also repaid £2.0m of maturing loans during 2021-22. At the balance sheet date, a total of £113.9m of financing was on-loan to This Land from the Council; across the year interest received on This Land loans was £8.5m. The Council holds a degree of security over the loans by way of mortgages on the properties transferred providing some collateral and risk mitigation. In addition to loan financing, the Council holds £5.851m in equity shares in This Land, all of which was invested prior to 2021-22.

Coinciding with the new political leadership of the Council, during 2021 the Council commissioned a comprehensive shareholder review of the firm by the property consultancy Avison Young. This identified several important action areas for the Council and the company, including considering governance, resourcing and personnel, improving the commercial and financial position particularly with reference to currently unidentified future property promotions and acquisitions and taking opportunities to deliver on broader objectives through the company's work. Principal risks to the business include construction cost management and the house price levels as well as securing future levels of profit from planned land acquisitions and promotions. Progress with the AY recommendations and business plan is monitored through shareholder liaison meetings and formally at the Strategy & Resources Committee.

There were changes in the leadership of This Land during the year, with a new Chair and Chief Executive appointed, alongside two retirements from the board.

The company adopted extensive changes to its business plan in April 2020, and further updates and enhancements were included in its updated 2022 business plan, which was approved by Strategy & Resources Committee in September 2022. The company had experienced delays achieving planning permission and was concerned its original plan was unduly optimistic. Amongst the revisions was a commercial decision by This Land to dispose of a number of assets, refocusing on those of an optimum size and position for the company. By 31 March 2022, eight disposals had been made. The sales progressed in what was a relatively buoyant housing market, thus allowing the company to maximise returns and select the best timing and circumstances for individual sales. The proceeds from these disposals have put the cash flow of the company into a position where no additional borrowing has been needed from the Council than was previously anticipated for 2021-22.

This Land's accounts are reflected in the group accounts section of this document. The company returned an operating loss for this period of £3.7m, and the loss after interest and taxation was £7.2m. This included financing costs, wholly payable to the Council of £10.4m. The pre-financing profit for the year was £2.5m, £1.8m greater than the previous period to 31 March 2021 and a steady improvement in line with the current Business Plan. This Land is funded in a way that ensures most operating profits are returned to the single funder and shareholder (the Council) through interest payments. This Land is not expected to make pre-financing operating profits before 2027 and therefore these results are in-keeping with the medium-term plan of the business. During the 2022-23 it is anticipated that a further £8.5m of interest payments will be made to the Council. The nature of how the house building industry and This Land measures its stock does not allow for added value gained throughout the planning and construction process to be realised until the ultimate sale of the land or sale of the built units; therefore, the full market value of This Land's underlying assets is not shown in these financial statements.

On the balance sheet, the company has net liabilities of £21.3m, an increase of £7.2m compared to the position at 31 March 2021. The company's business plan has undergone its annual revision during 2022-23, taking into account this position, the future repayment of loans to schedule and interest payments and to provide an overall cogent plan for commercial success.

The company has progressed new planning applications during 2021-22 with several either having secured a consent or awaiting determination. Construction has progressed at phase 1 of Ditton Walk, where the majority of units have now completed and are occupied. There has also been significant progress at Over, with sales commencing during summer 2022. The portfolio includes three large sites at Worts Causeway, Burwell and Soham; the plan is to provide infrastructure to open up these sites and then sell on in serviced parcels. The company will also develop the later phases on these sites. Good progress has been made with the first phase of disposals, starting with a sale in March 2022 at Burwell.

This Land is committed to delivering sustainability and has set up a new task group within the business to ensure that the company continues to minimise its impact on the Cambridgeshire environment. The target is that This Land's homes will achieve the highest levels of sustainability in terms of energy savings and the company strives to ensure that they deliver excellence at all times by protecting local habitats, minimising climate change and reducing their carbon footprint by building a local supply chain, resilient design and careful selection of materials.

For further details please visit the This Land website.

Cambridgeshire and Peterborough Combined Authority
The Cambridgeshire and Peterborough Combined Authority (CPCA) was constituted in March 2017. The authority is made up of representatives of the seven local Councils in Cambridgeshire and Peterborough and led by a directly elected Mayor. As part of a devolution deal with government, the responsibilities of the CPCA include local economic growth, housing, transport and infrastructure improvements and adult skills.

The CPCA now receive the Integrated Transport Block, Highways Maintenance Block and Pothole Action Fund grants from the Department for Transport (DfT) rather than the County Council. The combined value of these funding streams in 2021-22 was £22.0m. CPCA has the power to top-slice the grant allocations before passing them on to the County Council however, for 2021-22, this power was not utilised. Therefore, the funds were effectively passported to the County Council in line with the original DfT allocation and there was no net effect on the Council's accounts.

The CPCA is now also responsible for passenger transport services and is able to levy the County Council. The levy for Cambridgeshire in 2021-22 was £9.2m (an increase of 4.7% on 2020-21) and the service is now managed directly by the CPCA. The CPCA is also able to directly precept Council Tax, though it did not do so in 2021-22 (it subsequently used this flexibility for 2023-24).

Further information can be found on the Combined Authority's website.

Kings Dyke
The A605 between Whittlesey and Peterborough carries over 14,000 vehicles per day and there are some 120 daily train movements across the level crossing that crosses the road. The resulting closure of the King's Dyke level crossing barrier causes significant delay to traffic. Future plans by the rail industry to increase the number of trains along the route will further increase delays. The situation is exacerbated during the winter months, when local flooding often closes the North Bank, an alternative route between Whittlesey and Peterborough, for long periods of time. Some additional 5,000 vehicles a day displaced by this closure use the level crossing, doubling the average delay per vehicle. The delays have an impact on local businesses and commuters travelling between Whittlesey and Peterborough.

The Kings Dyke scheme is designed to remove these delays and the scheme is strongly supported locally. The available route presents engineering challenges in respect of ground conditions and the close proximity of a deep, disused clay extraction pit, and due to the increase in the previous contract target construction price it was decided in August 2019 to re-procure a new Design and Construction contract. The road opened in July 2022.

Cambs 2020

During 2021-22, the Council has opened its new civic headquarters at Alconbury Weald, a new community in the Huntingdonshire district of the County. More widely through our Cambs 2020 programme we have implemented a hub and spoke model for the location of services. This has positioned a wide range of Council teams closer to the communities they serve, as well as modernising and rationalising the office accommodation estate and generating a significant commercial benefit from vacating Shire Hall to be reinvested into frontline services. The move will also generate a significant capital receipt for the Council.

The Council's new civic headquarters at Alconbury Weald was an £18m capital project, and in July 2021, the Council took possession of the New Shire Hall building. The project concluded with a £0.6m underspend and with only minor delays as a result of the materials supply chain during the pandemic. Strategy And Resources Committee agreed in January 2022 to an updated financial deal for the old Shire Hall site and a restructured deal which provides a smaller up front capital receipt, but a higher level of annual revenue income, which can be ploughed back into frontline services. The spokes refurbishment programme of other Council buildings has also completed across 16 individual projects.

Pensions

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

The estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £700.7m at 31 March 2021 to £552.8m at 31 March 2022. Employer pension contributions of £34.0m were made during 2021-22, with the pension liability decreasing by £49.6m (largely as a result of changes to the actuarial financial assumptions), and the fair value of the Fund's assets increasing by £98.2m. Overall, this has resulted in a £147.8m decrease in the deficit amount.

Lead Authority model

The former LGSS shared back-office operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) – ended in November 2020, with several of the services previously shared through LGSS repatriated to their home councils in September 2020. In March 2020, Full Council agreed to the creation of a Lead Authority model with a continuing partnership for services where there was a demonstrative benefit to continue the sharing of these services, but with one appointed authority leading on behalf of the other partners. The services included in this model are as follows:

- Payroll and HR Transactions (led by West Northamptonshire)

- Insurance (led by Cambridgeshire)
- Business Systems (led by West Northamptonshire)
- Finance Operations (including Transactions and Debt Management) (led by Cambridgeshire)

A Lead Authority Board was created, which meets monthly and reports to the respective Councils in line with normal governance arrangements. Senior representatives of the four authorities (NCC has since split into two unitary authorities) sit on the board. The services delivered under this model remain as a shared offer, therefore the benefits and risks continue to be jointly shared between the partners.

The Lead Authority Shared Services underspent by £1.0m in 2021-22, of which £0.3m was the share for Cambridgeshire.

Joint working with Peterborough City Council and Senior Leadership Organisational Change

In early 2022, the two Councils appointed separate chief executives, thereby discontinuing the previously shared arrangements for the Head of Paid Service role. This was in response to the findings of an LGA peer challenge and enables each Council to build their strategic leadership capacity to address the challenges they face collectively. Sharing arrangements for several other senior roles, including the Executive Director for Place & Economy and the Director of Business Improvement & Development have also been discontinued. A new Corporate Leadership Team structure was put in place in September 2022, providing a clear and sustainable leadership structure, with teams that are aligned and positioned to tackle the challenges the Council faces. The Council separated from Peterborough across a number of services, particularly within adult social care, children's social care and education, in 2023, ensuring that Cambridgeshire has the right level of dedicated senior leadership capacity for our services.

Where there are advantages to sharing, the Council has continued to work closely with Peterborough City Council on a more targeted basis, for instance benefitting from a shared public health team throughout the pandemic with the bringing greater scale and resilience.

Workforce Profile

The Council is an equal opportunities employer and promotes fairness to all. The Council has set a corporate outcome to promote equality, diversity and inclusion, and has increased dedicated staffing capacity in this area and also established a decentralised network of champions for this across our workforce. Regular Council-wide conversations are held on EDI matters, enabling all staff to be updated on progress and to ask questions of senior managers. Members of staff will also see EDI featuring as part of their regular conversations with their line manager as part of ensuring this is truly embedded across the organisation. For further information please see the Workforce Profile which is available on the Equality and Diversity page of our website.

THE STATEMENT OF ACCOUNTS

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2022, and to summarise the overall financial position of the Council as at 31 March 2022. This section provides an overview of the financial performance of the Council. The Statement of Accounts brings together the major financial statements for the Council for the financial year 2021-22. The various sections, and their contents, are as follows:

Statement of Responsibilities, Certificate and Approval of Accounts (page 35)
This statement sets out the responsibilities of the Council and the Council's Executive Director for Finance and Resources regarding the proper administration of the Council's finances.

Independent Auditor's Report to Members (page 37)
This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the Pension Fund, the amount and disposition of the Fund's assets and liabilities (other than liabilities to pay pensions), and other benefits that will arise after the end of the year. The independent auditor also gives an opinion on the Council's use of resources and value for money.

Comprehensive Income and Expenditure Statement (CIES) (page 42)
This Statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from local taxpayers.

The net cost of services for 2021-22 across the Council's directorates was £484.8m. After taking into consideration other operating expenditure, financing and investment income / expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's surplus on the provision of services was £27.7m.

Movement in Reserves Statement (MIRS) (page 43)
This statement shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The 'surplus or (deficit) on provision of services' is included within the Total Comprehensive Income and Expenditure line and shows the true economic cost of providing the Council's

services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes.

The headline figures from this statement are that the Council's Usable reserves, including the General Fund and earmarked reserves, have increased overall by £31.2m in 2021-22. The Council's Unusable Reserves have increased by £224.9m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 44)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities as at 31 March 2022 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources 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. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

The headline figures from this statement are shown in the table below.

Balance Sheet Heading	31 March 2021	31 March 2022	Change	Main Reason for Change
Property, Plant and Equipment	£1,602.8m	£1,688.0m	£85.2m Increase	Additions, off-set by revaluations and disposals
Long-term Investments	£34.3m	£44.7m	£10.4m Increase	Investment in a new investment fund, plus gains in value of investments held
Short-term Debtors	£92.3m	£106.0m	£13.6m Increase	Increased invoicing in March mainly to NHS, other Local Authorities and Highways England (not due for payment until April 2022)
Short-term Borrowing	£248.9m	£150.0m	-£98.9m Decrease	Refinancing of short-term loans taken as longer-term borrowing, taking advantage of historically low interest rates

Short-term Creditors	£118.6m	£131.0m	£12.4m Increase	Mainly due to an increase in invoices awaited from other Local Authorities to fund joint activities undertaken during the year
Long-term Borrowing	£562.4m	£628.0m	£65.6m Increase	Refinancing of short-term loans taken as longer-term borrowing, taking advantage of historically low interest rates
Other Long-term Liabilities	£804.9m	£654.7m	-£150.2m Decrease	Decrease in pension liabilities partially offset by an increase in the fair value of plan assets

Cash Flow Statement (page 45)

This Statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. It outlines the changes in the cash and cash equivalents, for example changes in debtor balances (those owing the Council money) and creditor balances (those to whom the Council owes money) during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The headline figures from this statement are that during 2021-22 the Council's purchases of property, plant and equipment were £8.6m higher than in 2020-21 (year to 31 March 2022 £121.2m; year to 31 March 2021 £112.6m), receipt of proceeds from asset sales and capital grants was £45.4m higher (year to 31 March 2022 £137.8m; year to 31 March 2021 £92.5m) and the net cash flow for receipts and repayments of short and long-term borrowing was £82.1m lower (year to 31 March 2022 £33.4m outflow; year to 31 March 2021 -£48.8m inflow).

Borrowing and investments were made in accordance with the Council's published Treasury Management Strategy.

Expenditure and Funding Analysis (page 56)

The Expenditure and Funding Analysis forms the first note to the core financial statements. The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The increase in the General Fund is £32.1m; the net increase to the Council's General Fund Reserve was £20.3m with a £12.1m net increase to earmarked reserves. This differs from the income and expenditure shown in the CIES by £4.4m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in Note 8 to the accounts.

Notes to the core financial statements (page 46)

The notes to the financial statements are essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how material transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements but is relevant to an understanding of them.

Pension Fund accounts (page 158)

The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations. In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY

The Council has developed a range of integrated approaches and organisational processes. Together these help to drive risk management and value for money.

Members develop the Council's vision and priorities and keep these under review. The business planning process ensures the best use of resources. It also ensures that the Council delivers services according to its objectives. The Annual Governance Statement on page 242 sets out the Council's wider approach to risk management.

The Strategy and Resources Committee receive the Corporate Risk Register on a regular basis. It is also reviewed by CLT. The register documents key risks including:

- failure of the Council's arrangements for safeguarding vulnerable children and adults;

- the Council not having enough budget to deliver short and medium-term objectives;
- a serious incident occurring, preventing services from operating and/or requiring a major/critical incident response;
- the Council's human resources are not able to meet business need.

There are mitigating measures and controls in place. This means no risks are currently assessed as red on the Council's likelihood and impact matrix.

The Council's Scheme of Financial Management sets out the internal regulatory framework for financial control, procurement compliance and resource distribution. The Contract Procedure Rules underwent comprehensive review in early 2022, following audit findings in relation to procurement compliance reported at the November 2021 Audit & Accounts Committee. Following the agreement of the budget by Members, savings delivery is closely monitored through a "tracker" methodology alongside monthly reporting to Council Committees.

FUTURE CHALLENGES AND MEDIUM-TERM OUTLOOK

In recent years local government funding has stabilised following a period of significant fiscal tightening from around 2010. During this period income from government grants fell sharply – the Revenue Support Grant, worth £86m a year to the Council in 2013-14, was withdrawn completely in 2019-20. Additional ring-fenced funding for social care has recently been forthcoming, acknowledging the acute pressures faced by the social care system due to an aging population and increasing complexity of need. Other grants are received from government for a range of services. Despite the reduction in general government grant, these additional ring-fenced grants mean that we still have a dependency on central government funding, which over recent years has not been announced more than one year in advance.

Notwithstanding the unprecedented fiscal and economic shock to the public finances as a result of Covid-19, these challenges remain and have been increased by the impacts of the pandemic on care providers and on vulnerable people. Given the government's fiscal targets it is also unlikely that the sector will receive sufficient funding to meet the growth in cost from demand increases, inflation and legislative changes. The government set its 2022-27 medium term financial strategy, including assumptions about council tax and reserve levels in this context.

Some of the specific challenges that the Council expects to face over the next five years are:

- Potential for growing regional and more local inequalities as a result of the economic fallout from the pandemic
- Ongoing lower levels of fees and charging income, as well as reduced local taxation receipts
- Uncertainty about the need for, and funding for, lasting Covid-19 related costs such as personal protective equipment or infection control procedures in social care providers

- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available
- Responding to significant national reforms and legislative change such as to the SEND and Schools framework, the Adult Social Care charging reforms and the Care Act costs cap and regulatory reform for waste management.
- Energy price inflation

In 2022-23, we are expecting an increase of 6.63% in total funding we receive from all sources, but with more significant demand and inflationary pressures. The Council's 2022-23 Business Plan expects to see an overall increase in funding (excluding schools grants) of 9.31% to 2026-27. This is primarily due to increases in Council Tax, which is one of the few funding sources that we can plan to increase over the medium-term. However, unprecedented inflationary pressures, population growth and uncertain levels of demand for services are expected to result in significantly higher additional budget pressures over the same period. There is uncertainty about local NHS funding levels and activity that may impact on the Council's costs, particularly as national hospital discharge funding arrangements cease. Implementation of our ambitious agenda for a fairer, greener, more caring Cambridgeshire also requires significant capacity for internal change.

The following table illustrates the size of the challenge that lies ahead (as reflected in the Council's 2022-27 Business Plan):

	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Unidentified Savings Requirement for the Year	£17.4m	£22.7m	£16.8m	£18.3m	£18.6	£93.85

Looking ahead, the Council faces a larger savings requirement for upcoming years than it has had to deal with for some time. Although there is some additional short-term flexibility resulting from the underspend in 2021-22 and carried forward grant balances will mitigate risks to some degree, the need to deal with financial challenges on a recurrent basis is the priority.

Uncertainties

There is a great deal of uncertainty surrounding the UK's public finances. The economy is experiencing some of the highest levels of inflation for more than 30 years, interest rate rises and significant challenges around labour availability. There is also uncertainty about national fiscal policy and it is unclear what levels of resources will available to local authorities in the medium term, though government has indicated that national public spending levels will be lower than inflation over the next five years.

In addition to this uncertainty, there are a number of Central Government reforms that are currently expected or have been paused, most notably those on technical aspects of Fair Funding and the Business Rates Retention Scheme, which are expected to affect the Council's funding, and elements of social care reform. The additional funding allocations provided by Government in response to growing social care pressures and the Covid-19 pandemic continue to be based upon the existing funding model and population projections from 2013 which disadvantage Cambridgeshire as a high-growth county. The Census 2021 results have illustrated that Cambridge City was one of the most underestimated local areas in the country in terms of population growth. Cambridgeshire is one of the lowest funded shire counties in England, so the County Council is pursuing a fairer funding campaign to improve this funding outlook in line with the growing population and fairness to local taxpayers.

CONCLUSION

I am extremely grateful to all the finance staff and others involved with budget management across the Council, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced through this unprecedented year, and who have worked hard to close the accounts to a demanding timescale.

M. Hudson

Michael Hudson
Executive Director for Finance and Resources
29 April 2024

FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the finance and budget pages on the Council's website or by contacting Corporate Finance using the following details:

Address: ALC2618, New Shire Hall, Emery Crescent, Enterprise Campus, Alconbury Weald, Huntingdon, PE28 4YE
Telephone: 0345 045 5200
Email: finance@cambridgeshire.gov.uk

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Approve the Statement of Accounts;
- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Executive Director for Finance and Resources (Section 151 Officer);
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.

THE EXECUTIVE DIRECTOR FOR FINANCE AND RESOURCES' RESPONSIBILITIES

The Executive Director for Finance and Resources is responsible for the preparation of the Council's Statement of Accounts, including those of the Pension Fund, 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 Executive Director for Finance and Resources has:

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

The Executive Director for Finance and Resources also has to have:

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

Statement of Responsibilities, Certificate and Approval of Accounts

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2022 and its income and expenditure for the year 2021-22 and authorise the accounts for issue.

Michael Hudson
Executive Director for Finance and Resources
Date: 29 April 2024

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council under the delegated authority of the Chair of the Audit and Accounts Committee on 29 April 2024.

Signed on behalf of
Cambridgeshire County Council:

Cllr. G. Wilson
Chair of the Audit and Accounts Committee
Date: 29 April 2024

INDEPENDENT AUDITOR'S REPORT

EY
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements of Cambridgeshire County Council (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Authority and Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 41 to the Authority financial statements, and the related notes 1 to 10 to the Group financial statements.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire County Council and the Group as of 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director for Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Finance and Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's and Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Statement of Accounts and Annual Governance Statement 2021-22', other than the financial statements and our auditor's report thereon. The Executive Director for Finance and Resources is responsible for the other information contained within the 'Statement of Accounts and Annual Governance Statement 2021-22'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group and the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Executive Director for Finance and Resources

As explained more fully in the 'Statement of Responsibilities, Certificate and Approval of Accounts' set out on pages 35-36, the Executive Director for Finance and 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director for Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Finance and Resources is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and Health & Safety.

We understood how Cambridgeshire County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Management, the Head of Internal Audit, those charged with governance and the Monitoring Officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Group and Authority's committee minutes, Group and Authority policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, inappropriate accounting adjustments made in the 'Movement in Reserves Statement' and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of inappropriate accounting adjustment made in the 'Movement in Reserves Statement' we tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), capital grants, depreciation, impairments and revaluation losses, capital expenditure funded by revenue, and minimum revenue provision to ensure that transactions were appropriate and the 'Movement in Reserves Statement' was fairly stated.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Certificate

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

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 Group and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON
ERNST + YOUNG LLP

Date: 29th April 2024

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2020-21 Gross Expenditure £000	Gross Income £000	Net Expenditure (+) / Income (-) £000		Note	2021-22 Gross Expenditure £000	Gross Income £000	Net Expenditure (+) / Income (-) £000
111,093	-36,658	**74,435**	Place & Economy		124,317	-33,599	**90,718**
759,408	-454,711	**304,697**	People & Communities		787,951	-455,689	**332,262**
34,414	-50,058	**-15,644**	Public Health		47,464	-42,496	**4,968**
86,370	-24,261	**62,109**	Corporate Services *		79,591	-22,770	**56,821**
991,285	**-565,688**	**425,597**	**Cost of Services**		**1,039,323**	**-554,554**	**484,769**
22,628	0	**22,628**	Other operating income and expenditure	10	423	-4,289	**-3,866**
54,597	-16,563	**38,034**	Financing and investment income and expenditure	11	47,012	-18,576	**28,436**
0	-501,444	**-501,444**	Taxation and non specific grant income	12	0	-537,037	**-537,037**
		-15,185	**Surplus (-) or Deficit (+) on Provision of Services**				**-27,698**
		-31,940	Surplus (-) or deficit (+) on revaluation of property, plant and equipment	22			**-36,591**
		39,321	Impairment and revaluation loss charged to the revaluation reserve	22			**17,918**
		-419	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income	27			**-2,088**
		181,067	Remeasurement of net pension benefit/liability	37			**-207,587**
		188,029	**Other Comprehensive Income (-) and Expenditure (+)**				**-228,348**
		172,844	**Total Comprehensive Income (-) and Expenditure (+)**				**-256,046**

* 2020-21 comparators restated due to restructure, with figures for Commercial & Investment and LGSS Operational service lines now included in Corporate Services service line

The purpose of this statement is explained in the Narrative Report (page 28).

Cambridgeshire County Council

MOVEMENT IN RESERVES STATEMENT

	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Balance at 1-Apr-20	**114,380**	**11,632**	**35,623**	**161,635**	**368,958**	**530,593**
Movement in 2020-21						
Total comprehensive income and expenditure	15,185	0	0	15,185	-188,029	-172,844
Adjustments between accounting and funding basis under regulations (note 19)	38,720	-771	709	38,658	-38,658	0
Increase (+) or decrease (-) in 2020-21	53,905	-771	709	53,843	-226,687	-172,844
Balance at 31-Mar-21	**168,285**	**10,861**	**36,332**	**215,478**	**142,271**	**357,749**
Movement in 2021-22						
Total comprehensive income and expenditure	27,698	0	0	27,698	228,348	256,046
Adjustments between accounting and funding basis under regulations (note 19)	4,435	2,996	-3,936	3,496	-3,496	0
Increase (+) or decrease (-) in 2021-22	**32,133**	**2,996**	**-3,936**	**31,194**	**224,852**	**256,046**
Balance at 31-Mar-22	**200,418**	**13,857**	**32,396**	**246,672**	**367,123**	**613,795**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 29).

BALANCE SHEET

31-Mar-21 £000		Note	31-Mar-22 £000
1,602,835	Property, plant and equipment	23	1,687,986
19,012	Heritage assets	25	19,012
127,606	Investment property	24	130,162
12,614	Intangible assets		11,447
34,303	Long term investments	27	44,741
147,868	Long term debtors	26	144,972
1,944,238	**Long Term Assets**		**2,038,320**
1,282	Assets held for sale	23	272
731	Inventories		547
92,340	Short term debtors	29	105,960
92,598	Cash and cash equivalents	30	93,701
186,951	**Current Assets**		**200,480**
-248,872	Short term borrowing	27	-150,000
-118,579	Short term creditors	31	-130,964
-2,518	Provisions		-2,109
-1,572	Capital grants and contributions received in advance	33	-557
-371,541	**Current Liabilities**		**-283,630**
-6,940	Provisions		-7,537
-562,407	Long term borrowing	27	-627,990
-804,895	Other long term liabilities	32	-654,719
-27,657	Capital grants and contributions received in advance	33	-51,129
-1,401,899	**Long Term Liabilities**		**-1,341,375**
357,749	**Net Assets**		**613,795**
215,478	Usable reserves	21	246,672
142,271	Unusable reserves	22	367,123
357,749	**Total Reserves**		**613,795**

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2022 and its income and expenditure for the year 2021-22 and authorise the accounts for issue.

M. Hudson

Michael Hudson
Executive Director for Finance and Resources (Section 151 Officer)
Date: 29 April 2024

The purpose of this statement is explained in the Narrative Report (page 29).

CASH FLOW STATEMENT

2020-21 £000		2021-22 £000
-15,185	**Net Surplus (-) or Deficit (+) on the Provision of Services**	**-27,698**
-36,743	Depreciation	-33,155
-22,095	Impairment and downward valuations	-13,274
-2,961	Amortisation	-2,500
-18,036	Increase(-)/Decrease in Creditors	21,805
24,261	Increase/Decrease (-) in Debtors	16,891
62	Increase/Decrease (-) in Inventories	-184
-27,989	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-59,762
-24,873	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-15,629
-26,258	Other non-cash items charged to the deficit on the provision of services	-3,066
-134,632	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-88,874**
0	Proceeds from short-term and long-term investments	0
2,661	Proceeds from the sale of property, plant and equipment	19,918
83,101	Grants for financing capital expenditure	90,905
10,741	Any other items for which the cash effects are investing or financing activities	-21,113
96,503	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**89,710**
-53,314	**Net Cashflows from Operating Activities**	**-26,862**
112,564	Purchase of Property, Plant and Equipment	121,170
16,420	Purchase of short-term and long-term investments	8,350
28,251	Other payments for investing activities	160
0	Proceeds from short-term and long-term investments	0
-2,661	Proceeds from the Sale of Property, Plant and Equipment	-19,918
-89,806	Capital Grants Received	-117,906
-27,011	Other receipts from investing activities	-21,531
37,757	**Investing Activities**	**-29,675**
-271,000	Cash Receipts of short and long-term borrowing	-238,000
4,650	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	2,667
222,232	Repayments of short and long-term borrowing	271,365
24,792	Other payments for financing activities	19,402
-19,326	**Financing Activities**	**55,434**
-34,883	**Net Increase (-) or Decrease (+) in cash and cash equivalents**	**-1,103**
57,715	Cash and Cash equivalents at the beginning of the reporting year	92,598
92,598	**Cash and Cash equivalents at the end of the reporting year**	**93,701**

The purpose of this statement is explained in the Narrative Report (page 30).

DISCLOSURE NOTES

1. ACCOUNTING POLICIES

For the Accounting Policies refer to Appendix 1.

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

The Code of Practice on Local Government Accounting in the United Kingdom 2021-22 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2022-23 Code. The 2022-23 Code has recently been published, and the following standards are being introduced in 2022-23:

- The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) clarifies the intention of the standard
  - IAS 41 (Agriculture) one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

The new standards are not expected to have a material impact on the 2021-22 or 2022-23 Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, 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:

- The Council currently has 3 PFI contracts with private sector partners. These are as follows:
  - AmeyCespa Limited – to provide waste treatment and household waste facilities for the county until 2036;
  - Balfour Beatty plc. – to replace elements of Cambridgeshire's existing Street Lighting network (those elements beyond their useful life), and subsequent maintenance until 2036; and

- Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Academy (with a concession period until January 2037) as part of the Building Schools for the Future programme.

For the Waste and Street Lighting schemes, the Council is deemed to control the service provision, own the risks and rewards of the assets and will either take ownership of the assets, or have the option to renew the lease. As such, all relevant income, expenditure, assets and liabilities have been recognised on this basis. In relation to the Building Schools for the Future scheme, Thomas Clarkson Academy has academy status, and as such, its assets are not recognised on the Council's Balance Sheet (in accordance with the Council's accounting policy). However, the associated liabilities are recognised, as the contractor has met their commitments in terms of their right to receive payments from the Council for the capital element of the scheme, and there is no recourse to the school for any future payments.

- Heritage assets held on deposit to the value of £19m have been included within the Council's Heritage Asset balance. Many of these deposits have been made without any kind of formal agreement that states who retains ownership, and for how long the deposit has been made. The Council has reviewed these items to determine when they were placed on deposit, and for the vast majority of items the deposits were made between 1934 and 1989. As such, given the long-term nature of the deposits, the Council has concluded that it effectively retains control of all assets on deposit and has therefore included these values within the Heritage Assets balance.

- The Council has judged that the stipulation in its Section 106 agreements regarding a requirement for it to use funds within a set timeframe, is a condition attached to the provision of the funding. However, where there is a clear plan in place to use this funding within the stipulated timeframes by means of a funding commitment within the Council's Business Plan, the conditions are regarded as having been met and the funding is recognised within unapplied contributions. The Council has therefore applied the judgement of there being a condition attached across all Section 106 agreements not included in the Council's Business Plan, which results in £22.8m being recognised in Capital Grants and Contributions unapplied as at 31 March 2022.

- The Council judges that the appropriate accounting treatment for the City Deal funding from Central Government to the Greater Cambridge Partnership (GCP) of £40m per year from 2020-21 to 2024-25 is to treat the funding as a series of separate grants, and therefore to recognise each year's individual allocation in the Comprehensive Income and Expenditure Statement annually. To make this judgement, the Council concluded that the substance of the arrangement with GCP for the City Deal grant effectively gave it control of the grant, even if the legal form of the arrangement does not. The Council also considered whether any conditions existed at the balance sheet date with regard to the receipt of the £40m of funding from Central Government. The Council concluded that no conditions exist regarding the receipt of the £40m (using the definition of 'conditions' required by the Code in relation to grants), therefore, in accordance with paragraph 2.3.1.2 of the CIPFA Code of Practice, £40m grant income should be recognised in 2021-22.

- The Council has judged that Covid-19 grants received can be identified as being either principal or agent – no individual grants have been split into principal and agent elements. As a result, unless a grant was assessed as being 100% agent, it was identified as principal.

- As set out in Property Plant and Equipment (Note 23), Infrastructure Assets have a net book value of £958.7m at 31 March 2022. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits for the years 2010-11 to 2013-14 mean that this would not faithfully represent the asset position to the users of the financial statements.

  The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

4. GOING CONCERN ASSUMPTION

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 and have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 30 April 2025, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The Council's year-end reserve balances, as reported in these statements and compared to last year end are as follows:

Date	General Fund	Earmarked Reserves
	£m	£m
31/03/2022	46.5	154.1 (note 20)
31/03/2021	26.1	142.2 (note 20)

The forecast level of general reserves and earmarked reserves at 30 April 2025 is £30.6m and £85.4m respectively, which matches the required minimum level for the General Fund as set out by the Chief Finance Officer at year-end of £29.5m. For 2022-23, 2023-24 and 2024-25, Council approved a balanced budget on 8th February 2022, 7th February 2023 and 13th February 2024 respectively.

Liquidity

The Council has undertaken cash flow modelling through the going concern period to 30 April 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and cash management framework throughout the period. The only expectation of external borrowing is to support the Capital Programme and to compensate for a reduction in internal borrowing, which is consistent with our plans and normal practice.

The key assumption within this forecast includes the achievement of £18.8m of savings in 2024-25. The Council does not expect any potential inability to achieve these savings to significantly affect either the level of reserves or the remaining liquidity throughout the period.

The Council has also assessed the cashflow forecasts of its significant subsidiaries, mainly the This Land Group. The Council liaises closely with This Land, in its role as shareholder and exercising its powers under the loan agreement as Lender, to monitor the company's financial position. In February 2022, the company exchanged contracts on the disposal of property it owns at Burwell, leading to the receipt of £21.5m on 18 March 2022 with a further £10m over the period January to July 2023. Similarly in August 2023, the company exchanged contracts on the disposal of property at Worts Causeway, leading to a receipt of £6.75m and three further agreed amounts of £6.75m due for payment according to contractual terms at future dates. The company has also sold all but two plots at the development site in Over. As a result, This

Land is in a reasonable cash position, with a current cash balance as at 31st March 2024 of £6.1m. The company is therefore in a position where it can meet its financial obligations for the foreseeable future. The Council is in regular liaison with This Land and able to provide support or re-phasing, within its resources, in the event that financial or economic conditions facing the company deteriorate.

Conclusion

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

5. 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 that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 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, Plant and Equipment	Asset valuations are completed on a 5-year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council values all assets not being valued under the rolling programme by either a) a desktop valuation or b) an indexation analysis that assesses when assets were last revalued and applies indices based on Building Cost Information Service forecasts, market indices and land value calculations for every year since the asset was last revalued. The Council also commissions a market review between the valuation date and the balance sheet date and adjusts for any material variances if required.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 27 and 28 below.	The Council uses the Discounted Cash flow model to measure the Existing Use Value of some of its investment properties, surplus properties, Assets Held for Sale and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in significantly lower or higher fair value measurement for the investment properties, surplus properties, Assets Held for Sale and financial assets.
Pension 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 consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.1% decrease in the Real Discount Rate would result in an increase in the liability of approximately £36.2m (1.9%); and • 0.1% increase in the Pension Increase Rate would result in an increase in the liability of approximately £33.0m (1.7%).

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Executive Director for Finance and Resources. A ‘non-adjusting’ event is indicative of conditions that arose after the Balance Sheet date.

‘Non-adjusting’ Events after The Balance Sheet Date

Schools converting to Academy status

Academies are publicly funded independent schools that were first introduced in 2000. A further 2 schools are expected to convert to Academy status or open as Academies during 2022-23, and further conversions are expected to take place in future years. By the end of the 2022-23 financial year, local authority maintained schools with a current net book value totalling £1.2m will have converted to Academy status since the Balance Sheet date. The assets of these schools will be derecognised from the Council’s Balance Sheet in 2022-23.

Homes for Ukraine Grant

The Council has received £19.1m Homes for Ukraine grants. This is made up of £15.4m tariff allocation and £3.7m education and childcare funding. The purpose of this grant is to provide wrap-around support to individuals and families to rebuild their lives and fully integrate into communities. The Council is working with district councils towards this objective.

Integrated Care System

The Cambridgeshire and Peterborough Integrated Care System (ICS) was established in July 2022. An ICS is a partnership between organisations that meet health and care needs across an area such as local authorities, hospital providers and community providers. The Cambridgeshire and Peterborough Clinical Commissioning Group no longer exists and a new Integrated Care Board has been established which has taken on the planning functions previously held by the CCG. The national and local expectation is that Local Authorities will be key partners in ICS development and delivery and the ICS will be integral to the transformation and integration of health and social care. This will be an evolutionary process which will be developed and built upon in partnership with the NHS.

Section 151 Officer

After a restructure of the Council's senior leadership team Michael Hudson has been appointed as the new Section 151 Officer, commencing this role in March 2023.

This Land Limited Executive Team

There have been changes in the senior role holders at This Land since the balance sheet date. A new chief finance officer was appointed in 2023 and there is currently an interim chief executive following the previous incumbent's departure at the end of 2023. Two new independent non-executive directors joined the board in September 2022 and March 2023, and the Council's nominated non-executive director changed in March 2023 to be the new Executive Director for Place and Sustainability role holder.

7. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council’s directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
The "Other income and expenditure" line relates to all income and expenditure outside of the Net cost of services. This includes the following lines within the Comprehensive Income and Expenditure Statement: Other operating income and expenditure, Financing and investment income and expenditure, Taxation and non-specific grant income and expenditure.

Comprehensive Income and Expenditure Statement Supporting Notes

RESTATED 2020-21 Net Expenditure Chargeable to the General Fund £000	RESTATED 2020-21 Adjustments between Funding and Accounting Basis £000	RESTATED 2020-21 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2021-22 Net Expenditure Chargeable to the General Fund £000	2021-22 Adjustments between Funding and Accounting Basis £000	2021-22 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
39,989	34,446	**74,435**	Place & Economy	49,017	41,701	**90,718**
264,554	40,144	**304,697**	People & Communities	276,713	55,549	**332,262**
-15,802	158	**-15,644**	Public Health	4,072	896	**4,968**
64,568	-2,459	**62,109**	Corporate Services *	59,904	-3,083	**56,821**
353,309	**72,289**	**425,597**	**Net Cost of Services**	**389,706**	**95,063**	**484,769**
-407,213	-33,569	**-440,782**	Other Income and Expenditure	-421,839	-90,628	**-512,467**
-53,904	**38,720**	**-15,185**	**Surplus (-) or Deficit**	**-32,133**	**4,435**	**-27,698**
-97,761			Opening General Fund Balance at 31 March	-168,285		
-16,620			2020-21 Statutory opening balance adjustment for DSG deficit	0		
-53,904			Plus: Surplus on General Fund Balance in Year	-32,133		
-168,285			**Closing General Fund Balance at 31 March**	**-200,418**		

* 2020-21 comparators restated due to restructure, with figures for Commercial & Investment and LGSS Operational service lines now included in Corporate Services service line

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Place & Economy	37,265	4,481	-45	**41,701**
People & Communities	9,406	32,324	13,819	**55,549**
Public Health	0	888	8	**896**
Corporate Services *	-10,595	7,627	-115	**-3,083**
Net Cost of Services	**36,076**	**45,320**	**13,667**	**95,063**
Other Income and Expenditure	-95,407	14,442	-9,663	**-90,628**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-59,331**	**59,762**	**4,004**	**4,435**

* 2020-21 comparators restated due to restructure, with figures for Commercial & Investment and LGSS Operational service lines now included in Corporate Services service line

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, revenue expenditure funded from capital under statute (REFCUS), revaluation gains / losses, and Private Finance Initiative and lease movements.

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. There are also adjustments for movements in the market value of investment properties.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute.

- **For services** this comprises the accrual made in respect of accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates (NDR) that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future shares of the Collection Fund surpluses or deficits declared by the billing authorities.

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2020-21 £000		2021-22 £000
	Expenditure	
308,886	Employee Benefits Expenses	353,084
620,601	Other Services Expenses	637,310
70,348	Depreciation, amortisation, impairment	48,929
46,047	Interest Payments	47,012
416	Precepts and Levies	423
22,212	Loss on the disposal of assets	0
1,068,510	**Total Expenditure**	**1,086,758**
	Income	
-93,297	Fees, charges and other service income	-97,335
0	Gain on the disposal of assets	-4,289
-16,563	Interest and Investment Income	-18,576
-372,206	Income from Council Tax and Non-domestic rates	-393,358
-601,629	Government Grants and Contributions	-600,898
-1,083,695	**Total Income**	**-1,114,456**
-15,185	**Surplus (-) or Deficit (+) on the Provision of Services**	**-27,698**

Comprehensive Income and Expenditure Statement Supporting Notes

10. OTHER OPERATING INCOME AND EXPENDITURE

Listed below are items of income and expenditure that cannot reasonably be allocated or apportioned to services.

2020-21 £000		2021-22 £000
416	Levies	423
22,212	(Gains)/losses on the disposal of non current assets	-4,289
22,628	**Total**	**-3,866**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This contains items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions.

2020-21 £000		2021-22 £000
34,559	Interest payable and similar charges	32,570
11,488	Net interest on the net defined benefit liability	14,442
-9,811	Interest receivable and similar income	-10,313
2,178	Income and expenditure in relation to investment properties and changes in their fair value	-7,069
0	Trading accounts	0
-380	Other investment income	-1,194
38,034	**Total**	**28,436**

12. TAXATION AND NON-SPECIFIC GRANT INCOMES

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are shown below, even where they are service-specific.

2020-21 £000		2021-22 £000
-312,368	Council Tax Income	-326,876
-59,838	Non-Domestic Rates	-66,482
-43,250	Non-Ringfenced Government Grants	-52,774
-85,988	Capital Grants and Contributions	-90,905
-501,444	**Total**	**-537,037**

13. POOLED BUDGETS

Better Care Fund

Cambridgeshire County Council hosts the local Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better outcomes for the local community.

The fund is operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the NHS in the form of Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).

The partners planned expenditure together through the fund including:

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers;
- Social Care spending on reablement, extra care and a range of other services;
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act;

- The Improved Better Care Fund grant paid to the County Council to provide investment to reduce delayed transfers of care to support pressures within adult social care;
- Disabled Facilities Grant for accommodation adaptations managed by the District Councils.

For 2020-21 and 2021-22, funding and expenditure relating to Covid-19 hospital discharge schemes were also included in the Better Care Fund in Cambridgeshire. These schemes provided national NHS funding to enable rapid discharges from hospitals into social care where appropriate, with the Council providing a contribution based on a baseline of what it would have spent on social care that followed discharges in a more normal year. This makes the pooled budget for 2021-22 larger than it was in pre-pandemic times, although hospital discharge spend is lower than in 2020-21.

Comprehensive Income and Expenditure Statement Supporting Notes

The financial results of the Better Care Fund for 2020-21 and 2021-22 are as follows:

2020-21 £000	Better Care Fund	2021-22 £000
	Funding provided to the pooled budget by:	
	Original BCF:	
-19,795	the Council	-19,795
-40,770	NHS Cambridgeshire and Peterborough CCG	-47,536
-60,565		**-67,331**
	Covid Discharge Schemes:	
-3,407	the Council	-4,472
-9,169	NHS Cambridgeshire and Peterborough CCG	-3,895
-12,576		**-8,367**
-73,141	**Funding Total**	**-75,698**
	Expenditure met from the pooled budget:	
36,790	the Council	37,722
23,775	NHS Cambridgeshire and Peterborough CCG	29,609
60,565		**67,331**
	Covid Discharge Schemes:	
12,576	the Council	8,367
0	NHS Cambridgeshire and Peterborough CCG	0
12,576		**8,367**
73,141	**Expenditure total**	**75,698**
0	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**
0	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council related to 2021-22 through the original BCF is £17.9m (£17.0m in 2020-21), and £3.9m for the Covid-19 hospital discharge schemes.

Comprehensive Income and Expenditure Statement Supporting Notes

Other pooled budgets

The Council also has pooled budget agreements with the following bodies:

- NHS Cambridgeshire and Peterborough CCG, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 49% of the budget;

2020-21 £000	Integrated Community Equipment Service	2021-22 £000
	Funding provided to the pooled budget by:	
-2,420	the Council	-2,464
-2,286	NHS Cambridgeshire and Peterborough CCG	-2,328
-4,706		**-4,792**
	Expenditure met from the pooled budget:	
2,472	the Council	2,565
2,335	NHS Cambridgeshire and Peterborough CCG	2,423
4,807		**4,988**
101	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**196**
52	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**101**

- NHS Cambridgeshire and Peterborough CCG, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 23% of the budget.

2020-21 £000	Learning Disability Partnership	2021-22 £000
	Funding provided to the pooled budget by:	
-67,777	the Council	-71,819
-20,209	NHS Cambridgeshire and Peterborough CCG	-21,717
-87,986		**-93,536**
	Expenditure met from the pooled budget:	
68,856	the Council	73,333
20,531	NHS Cambridgeshire and Peterborough CCG	22,175
89,387		**95,508**
1,401	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**1,972**
1,079	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**1,514**

For both the ICES and LDP pools, the same proportions as those for budget contributions are used to meet any deficit or share any surplus arising at the end of each financial year.

14. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2021-22 were £879,227 (£923,977 in 2020-21) and expenses totalled £12,085 (£1,833 in 2020-21). Mileage expenses reduced significantly in 2020-21 due to the use of virtual meetings as a result of the Covid-19 pandemic, but have started to increase again during 2021-22 following the reintroduction of meetings in-person.

15. OFFICERS' REMUNERATION

Senior Employees

Schedule 1 of the Accounts and Audit Regulations 2015 involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. The Council publishes detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

The majority of the senior employee roles are shared with Peterborough City Council under a S113 agreement (see footnotes below the table). Full remuneration is shown for all employees; however, Cambridgeshire County Council pays only an agreed proportion for its share of the costs.

The Council's senior employee remuneration for 2021-22 (and 2020-21) is as follows:

Comprehensive Income and Expenditure Statement Supporting Notes

Postholders at 31 March 2022:	Footnote		Salary, Fees & Allowances	Expenses (Taxable) & Benefits in Kind	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£	£	£	£
Chief Executive (S Moir)	**1**	**2021-22**	20,357	0	0	**20,357**
Executive Director: Place and Economy (S Cox)	**2**	**2021-22**	156,252	0	27,344	**183,596**
		2020-21	153,599	0	26,880	**180,479**
Executive Director: People and Communities (Interim) #	**3**	**2021-22**	143,152	0	25,052	**168,204**
		2020-21	134,180	0	23,481	**157,661**
Service Director: Children's Services (Acting) *	**4**	**2021-22**	20,058	0	3,735	**23,793**
Director of Resources and Chief Finance Officer (S151 Officer)	**5**	**2021-22**	111,902	0	19,583	**131,485**
Director: Customer and Digital Services #	**6**	**2021-22**	135,107	0	23,644	**158,751**
		2020-21	117,297	0	20,527	**137,824**
Director: Public Health #	**7**	**2021-22**	101,879	4,265	14,956	**121,100**
Director: Business Improvement and Development #	**8**	**2021-22**	139,731	0	24,453	**164,184**
		2020-21	131,180	0	22,956	**154,136**
Director: Legal and Governance (Monitoring Officer) #		**2021-22**	107,410	0	18,797	**126,207**
		2020-21	101,797	0	18,065	**119,862**

Comprehensive Income and Expenditure Statement Supporting Notes

Previous Postholders:	Footnote		Salary, Fees & Allowances	Expenses (Taxable) & Benefits in Kind	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£	£	£	£
Chief Executive (G Beasley) *	1	2021-22	145,843	825	22,306	168,974
		2020-21	173,596	1,100	29,560	204,256
Deputy Chief Executive and Chief Finance Officer (S151 Officer)	9	2021-22	24,696	0	4,322	29,018
		2020-21	148,178	0	25,931	174,109
Executive Director: People and Communities (W Ogle-Welbourn) *	10	2021-22	114,134	825	0	114,959
		2020-21	153,898	1,100	0	154,998
Service Director: Children's Services *	4	2021-22	123,135	0	21,425	144,560
		2020-21	121,586	0	22,200	143,786
Director: Public Health #	7	2021-22	9,148	0	1,343	10,491
		2020-21	109,776	0	16,115	125,891
Total		2021-22	1,352,804	5,915	206,960	1,565,679
Total		2020-21	1,345,087	2,200	205,715	1,553,002

	Footnote		Salary, Fees & Allowances £	Expenses (Taxable) & Benefits in Kind £	Employer Pension Contribution £	Total Remuneration Including Employer Pension Contributions £
Chief Executive: Greater Cambridgeshire Partnership (R Stopard)	**11**	**2021-22**	165,358	0	11,248	**176,606**
		2020-21	170,719	0	0	**170,719**

* PCC Employee: Post shared under a S113 agreement with Peterborough City Council. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.
# CCC Employee: Post shared under a S113 agreement with Peterborough City Council. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

Footnotes:
1. The Chief Executive (G Beasley) retired on 31/12/2021 and on retirement they also received salary in lieu of accrued annual leave. They were replaced by Chief Executive (S Moir) on 21/02/2022, whose remuneration is shown from this date. Interim arrangements for this post are detailed in note 7. Chief Executive (S Moir) opted out of the pension scheme.
2. The Chief Finance Officer started this role on 03/05/2021 and was designated Section 151 Officer from this date, so their remuneration is shown from this date. They were a director of Pathfinder Legal Services Ltd, Light Blue Fibre Ltd throughout 2021-22 and were a director of Swaffham Prior Community Heat Network Ltd until March 2022.
3. The Executive Director: People and Communities (Interim) was the designated statutory Director of Adults Social Services throughout 2020-21 and 2021-22. Details of their remuneration for the whole of 2020-21 and 2021-22 are provided. They commenced their role as Interim Executive Director on 01/01/2022.

4. The new Service Director: Children's Services became the statutory Director of Children's Social Service on 01/02/2022 and their remuneration is shown from this date. The previous Service Director: Children's Services reported to the Executive Director: People & Communities throughout 2020-21. They were designated as the statutory Director of Children's Social Services with effect from 04/03/2021, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2020-21 and 2021-22 are provided. They retired in March 2022.

5. The Executive Director: Place and Economy was shared with PCC until 31/01/2022. From 01/02/2022 50% this role was funded by CPCA where they became an Associate Director. Details of their remuneration for the whole of 2020-21 and 2021-22 are provided. The Executive Director was a non-executive director at This Land throughout 2020-21 and 2021-22.

6. The Director: Customer and Digital Services was a director of OPUS People Solutions (East) Ltd from February 2021.

7. The new Director: Public Health started their role on 11/06/2021 and the previous Director: Public Health retired on 30/04/2021. The Deputy Director of Public Health covered the role during the intervening period.

8. The Director: Business Improvement and Development was the Acting Chief Executive from 01/01/2022 to 20/02/2022.

9. The Deputy Chief Executive and Chief Finance Officer retired in May 2021. They were a director of This Land Ltd until July 2020.

10. The Executive Director: People and Communities (W Ogle-Welbourn) retired in December 2021.

11. This postholder is employed by Cambridgeshire County Council as the accountable body for the Greater Cambridgeshire Partnership. The partnership is a formal collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.

Employee remuneration above £50,000

In addition to those individuals shown in the senior officers table, the number of Council staff (including teachers but excluding senior employees) with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

2020-21 No.	Remuneration Banding	2021-22 No.
135	£50,000 - £54,999	124
70	£55,000 - £59,999	64
57	£60,000 - £64,999	73
28	£65,000 - £69,999	32
30	£70,000 - £74,999	16
20	£75,000 - £79,999	35
9	£80,000 - £84,999	11
6	£85,000 - £89,999	3
1	£90,000 - £94,999	3
3	£95,000 - £99,999	2
2	£100,000 - £104,999	6
0	£110,000 - £114,999	1
1	£120,000 - £124,999	0
1	£125,000 - £129,999	1
2	£130,000 - £134,999	1
1	£135,000 - £139,999	2
366		**374**

Approximately half of the employees referred to in the above table are employed in Cambridgeshire schools (excluding academies).

Exit Packages

The number of exit packages in terms of compulsory and other departures, as well as the total amount paid per banding, is set out in the table below:

2020-21 Compulsory Redundancies No.	2020-21 Other Departures with Exit Package No.	2020-21 Total Exit Packages No.	2020-21 Total Cost of Exit Packages £000		2021-22 Compulsory Redundancies No.	2021-22 Other Departures with Exit Package No.	2021-22 Total Exit Packages No.	2021-22 Total Cost of Exit Packages £000
30	35	65	414	£0 - £20,000	13	28	41	323
1	1	2	51	£20,001 - £40,000	1	4	5	126
5	2	7	337	£40,001 - £60,000	0	2	2	83
1	1	2	141	£60,001 - £80,000	0	1	1	75
37	**39**	**76**	**943**	**Total**	**14**	**35**	**49**	**607**

16. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2021-22, incurring costs of £607k (£943k in 2020-21). See Note 15 above for the number of exit packages and total cost per band that has been paid during the year.

17. EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspection for the following years of account:

2020-21 £000		2021-22 £000
72	Fees payable with regard to external audit services carried out by the appointed auditor	147
70	Additional fees payable with regard to external audit services carried out by the appointed auditor in the prior years	131
142		**278**

18. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The DSG (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

Comprehensive Income and Expenditure Statement Supporting Notes

Details of the deployment of DSG receivable for 2020-21 and 2021-22 are as follows:

2020-21 Central Expenditure £000	2020-21 Individual Schools Budget (ISB) £000	2020-21 Total £000		2021-22 Central Expenditure £000	2021-22 Individual Schools Budget (ISB) £000	2021-22 Total £000
		490,299	Final DSG before Academy recoupment			536,577
		-263,588	Academy figure recouped			-292,364
		226,711	**Total DSG after Academy Recoupment**			**244,213**
		-16,620	Brought forward from previous financial year			0
		0	Correction of rounding difference occurring in 2019/20			1
		0	Carry forward to next financial year agreed in advance			0
24,523	**185,568**	**210,091**	**Agreed Initial Budgeted Distribution**	**47,005**	**197,208**	**244,214**
-10	0	-10	In year adjustments	-467	-3,742	-4,209
24,513	**185,568**	**210,081**	**Final Budget Distribution**	**46,538**	**193,466**	**240,005**
-53,863	0	-53,863	Less: actual central expenditure	-60,501	0	-60,501
0	-182,581	-182,581	Less: actual ISB deployed to schools	0	-192,460	-192,460
0	0	0	Plus: local authority contribution	0	0	0
-29,350	**2,987**	**-26,363**	**Carry Forward**	**-13,963**	**1,006**	**-12,956**
		0	Plus/Minus: Carry-forward to next financial year agreed in advance			0
		0	Carry-forward to next financial year			0
		0	DSG unusable reserve at the end of previous financial year			-26,363
		-26,363	Addition to DSG unusable reserve			-12,956
		-26,363	**Total of DSG unusable reserve at the end of 2021/22**			**-39,319**
		-26,363	**Net DSG position at the end of 2021/22**			**-39,319**

The final DSG balance to carry forward to 2022-23 is a deficit of £39,319k, compared to the £26,363k deficit brought forward from 2020-21. The increasing deficit is the result of continuing pressures within the High Needs Block of the DSG funding, due to overall numbers, complexity of need and unit costs of funding educational provision for children and young people with additional needs. As noted in the Narrative Report (page 20), an extensive Special Educational Needs and Disabilities (SEND) Transformation programme has been developed, and alongside this the Council has been selected to participate in the next round of the safety valve intervention programme.

DLUHC has made regulations regarding the accounting treatment of DSG deficits, which affect the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022. These are the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, SI 2020 No 1212. Local Authorities must charge the amount of the deficit to an unusable reserve established, charged and used solely for the purpose of recognising deficits in respect of its schools budget. The regulations cover a limited period, to provide time for Government and local authorities to look at budgetary and financial management strategies to reduce the deficits.

19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Movements in balances in 2021-22:

2021-22	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	49,150	0	0	-49,150
Revaluation losses on Property Plant and Equipment	-2,721	0	0	2,721
Movements in the fair value of Investment Properties	-212	0	0	212
Amortisation of intangible assets	2,500	0	0	-2,500
Capital grant and contributions applied	-81,677	0	0	81,677
Revenue Expenditure funded from Capital under Statute	2,297	0	0	-2,297
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15,629	0	0	-15,629
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-25,332	0	0	25,332
Capital expenditure charged against the general fund balance	-6,907	0	0	6,907
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-9,228	0	9,228	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-13,163	13,163

Movement In Reserves Statement Supporting Notes

2021-22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-19,918	19,918	0	0
Capital Receipts used to fund capital expenditure	166	0	0	-166
Flexible use of capital receipts	1,662	-1,662	0	0
Capital Receipts used to fund revenue (Revenue Expenditure funded from Capital under Statute)	15,260	-15,260	0	0
Adjustments involving the Deferred Capital Receipts Reserve:				
Finance lease deferred capital receipt adjustment	0	0	0	0
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	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	93,754	0	0	-93,754
Employer's pension contributions and direct payments to pensioners payable in the year	-33,992	0	0	33,992

Movement In Reserves Statement Supporting Notes

2021-22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	-9,616	0	0	9,616
Adjustment involving the Dedicated Schools Grant Adjustment Account:				
Amount of which the accumulated Dedicated Schools Grant deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	12,957	0	0	-12,957
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	710	0	0	-710
Total Adjustments	**4,435**	**2,996**	**-3,935**	**-3,496**

Movement In Reserves Statement Supporting Notes

Movements in balances in 2020-21:

2020-21	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	48,150	0	0	-48,150
Revaluation losses on Property Plant and Equipment	10,689	0	0	-10,689
Movements in the fair value of Investment Properties	8,550	0	0	-8,550
Amortisation of intangible assets	2,960	0	0	-2,960
Capital grant and contributions applied	-72,418	0	0	72,418
Revenue Expenditure funded from Capital under Statute	8,039	0	0	-8,039
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24,874	0	0	-24,874
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-21,299	0	0	21,299
Capital Expenditure charged against the General Fund	-1,660	0	0	1,660
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-13,570	0	13,570	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-12,861	12,861

Movement In Reserves Statement Supporting Notes

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-2,661	2,661	0	0
Capital Receipts used to fund capital expenditure	37	-1,900	0	1,863
Flexible use of capital receipts	1,532	-1,532	0	
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	0	0	0	0
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	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	61,263	0	0	-61,263
Employer's pension contributions and direct payments to pensioners payable in the year	-33,274	0	0	33,274

Movement In Reserves Statement Supporting Notes

Cambridgeshire County Council

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	10,217	0	0	-10,217
Adjustment involving the Dedicated Schools Grant Adjustment Account:				
Amount of which the accumulated Dedicated Schools Grant deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	9,742	0	0	-9,742
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,404	0	0	2,404
Total Adjustments	**38,720**	**-771**	**709**	**-38,658**

20. TRANSFERS TO / FROM EARMARKED RESERVES

The Council's Earmarked Reserve balances including an analysis of respective in-year movements are as follows:

	Balance at 31-Mar-20 £000	DSG deficit transfer £000	Transfers Out 2020-21 £000	Transfers In 2020-21 £000	Balance at 31-Mar-21 £000	Transfers Out 2021-22 £000	Transfers In 2021-22 £000	Balance at 31-Mar-22 £000
Carry forward - schools	**0**	13,472	-2,042	5,597	**17,027**	-2,793	2,551	**16,785**
Carry forward - other	**6,082**	0	-6,341	20,646	**20,387**	-20,409	14,754	**14,732**
Insurance reserve	**4,165**	0	-1,628	2,294	**4,831**	-2,743	2,630	**4,718**
Transformation reserve	**25,436**	0	-2,697	8,758	**31,497**	-6,770	1,429	**26,156**
Other earmarked reserves	**44,407**	3,148	-12,736	33,629	**68,448**	-7,614	30,838	**91,672**
Total	**80,090**	**16,620**	**-25,444**	**70,924**	**142,190**	**-40,329**	**52,202**	**154,063**

The schools reserve listed above traditionally consists mainly of revenue balances held by individual maintained schools as part of their overall delegated funding. This funding remains in individual school bank accounts, but is consolidated into the overall accounts for reporting purposes. The reserve also contains other small elements of school funding in relation to Pupil Premium, Universal Infant Free Schools Funding and the pooled absence scheme for primary schools. These balances are subject to conditions of grant or local schemes and as such will be allocated in agreement with these arrangements during 2022-23. The accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant is no longer accumulated into Earmarked Reserves and has been transferred to Unusable Reserves (see Note 22).

21. USABLE RESERVES

Usable reserves are those reserves that contain resources that a Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Please refer to Notes 19 and 20 for details of the movements in usable reserves.

Movement In Reserves Statement Supporting Notes

The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;
- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within Note 20;
- **Usable Capital Receipts Reserve** – this reserve comprises all income from capital receipts that has been credited to the Comprehensive Income and Expenditure Statement as part of the gain / loss on disposal of long-term assets. Income is credited to the Capital Receipts Reserve, via a debit to the General Fund balance in the Movement in Reserves Statement. This reserve may only be used to fund capital expenditure or repay debt;
- **Capital Grants and Contributions Unapplied Reserve** – this reserve includes all capital grant income credited to the Comprehensive Income and Expenditure Statement, and subsequently reversed out of the General Fund Balance in the Movement in Reserves Statement. It is designed to show the position when a capital grant has been received, and conditions of its award met, but is yet to be used to finance capital expenditure. Amounts in this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are also detailed in the Movement in Reserves Statement (page 43).

22. UNUSABLE RESERVES

A summary of the Council's unusable reserves is as follows:

31-Mar-21 £000		31-Mar-22 £000
310,658	Revaluation Reserve	325,036
556,497	Capital Adjustment Account	621,065
-1,042	Financial Instruments Adjustment Account	-996
-1,063	Financial Instruments Revaluation Reserve	1,025
-700,671	Pensions Reserve	-552,846
-11,963	Collection Fund Adjustment Account	-2,347
-5,371	Accumulated Absences Account	-6,081
-26,362	Dedicated Schools Grant Adjustment Account	-39,319
21,588	Deferred Capital Receipts Reserve	21,587
142,271		**367,123**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and 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.

Movement In Reserves Statement Supporting Notes

2020-21 £000		2021-22 £000
322,650	**Balance at 1 April**	**310,658**
31,940	Upward revaluation of assets	36,591
-39,321	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-17,918
315,269	**Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services**	**329,331**
-2,641	Difference between fair value depreciation and historical cost depreciation	-3,412
-1,970	Accumulated gains on assets sold or scrapped	-883
-4,611	**Amount Written Off to the Capital Adjustment Account**	**-4,295**
310,658	**Balance at 31 March**	**325,036**

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 (such as buildings and roads) 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, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve converts the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 19 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Movement In Reserves Statement Supporting Notes

2020-21 £000		2021-22 £000
545,047	**Balance at 1st April**	**556,497**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-48,150	Charges for depreciation or impairment of long-term assets	-49,150
-10,689	Revaluation gains reversing previous losses on Property, Plant and Equipment	2,721
-2,960	Amortisation of intangible assets	-2,500
-8,039	Revenue expenditure funded from capital under statute	-2,297
-24,874	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-15,629
4,611	Adjusting amounts written out of the Revaluation Reserve	4,295
-90,101	**Net written out amount of the cost of non-current assets consumed in the year**	**-62,560**
	Capital financing applied in the year	
1,863	Use of the capital receipts reserve to finance new capital expenditure	-166
72,418	Capital Grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	81,677
12,861	Application of grant to capital financing from the capital grants unapplied account	13,163
21,299	Statutory Provision for the financing of capital investments charged to the general fund	25,335
1,660	Capital expenditure charged against the general fund	6,907
-8,550	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	212
556,497	**Balance at 31 March**	**621,065**

Movement In Reserves Statement Supporting Notes

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 pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020-21 £000		2021-22 £000
-491,615	**Balance at 1st April**	**-700,671**
-181,067	Re-measurement of net pension liability	207,587
-61,263	Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the comprehensive income and expenditure statement	-93,754
33,274	Employer's pensions contributions and direct payments to pensioners payable in the year	33,992
-700,671	**Balance at 31st March**	**-552,846**

Deferred Capital Receipts Reserve

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

2020-21 £000		2021-22 £000
21,589	**Balance at 1 April**	**21,588**
-1	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1
21,588	**Balance at 31 March**	**21,587**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020, 1 April 2021 or 1 April 2022, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account. As set out above in Note 18 (Dedicated Schools Grant), the carried forward deficit in this area has increased to £39.3m by 31 March 2022, an increase of £12.9m from 31 March 2021.

2020-21 £000		2021-22 £000
0	**Balance at 1 April**	**-26,362**
-16,620	2020-21 Statutory opening balance adjustment for DSG deficit (transfer from usable reserves)	0
-9,742	School budget deficit transferred from General Fund in accordance with statutory requirements	-12,956
-26,362	**Balance at 31 March**	**-39,318**

23. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2021-22:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets * See separate NBV disclosure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2021	**698,382**	**31,573**		**2,744**	**3,652**	**47,774**	**784,125**	**117,777**
Additions	6,588	8,985		0	0	43,198	58,771	0
Donations	0	0		0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	15,164	0		-20	-2,294	0	12,850	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	632	0		0	-241	0	391	0
De-recognition and Disposals	-14,842	0		0	-41	0	-14,883	0
Assets reclassified to (-)/from Held for Sale	-187	0		0	392	0	205	0
Assets reclassified to (-)/from PPE	7,584	0		0	2,696	-10,281	-1	0
Assets reclassified to (-)/from Investment Properties	-2,400	0		0	56	0	-2,344	0
Assets reclassified to (-)/from Intangible Assets	0	0		0	0	0	0	0
Other Movements in Cost or Valuation	0	0		0	0	0	0	0
At 31st March 2022	**710,921**	**40,558**		**2,724**	**4,220**	**80,691**	**839,114**	**117,777**

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets * See separate NBV disclosure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Accumulated Depreciation and Impairment								
At 1st April 2021	**-32,506**	**-31,538**		**0**	**-3**	**-28,602**	**-92,649**	**-64,135**
Depreciation Charge	-9,362	-22		0	-18	0	-9,394	-3,165
Depreciation written out of the Revaluation Reserve	5,805	0		0	21	0	5,826	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,326	0		0	4	0	2,330	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0		0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-8,985		0	0	-7,010	-15,995	0
Assets reclassified to (-)/from Held for Sale	0	0		0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0		0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0		0	0	0	0	0
De-recognition and Disposals	55	0		0	0	0	55	0
Other Movements in Cost or Valuation	5	0		0	-5	0	0	0
At 31st March 2022	**-33,677**	**-40,545**		**0**	**-1**	**-35,612**	**-109,827**	**-67,300**
At 31st March 2022	**677,244**	**13**		**2,724**	**4,219**	**45,079**	**729,287**	**50,477**
At 31st March 2021	**665,876**	**35**		**2,744**	**3,649**	**19,172**	**691,476**	**53,642**

Movements in balances in 2020-21:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets * See separate NBV disclosure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2020	**742,763**	**23,947**		**635**	**2,803**	**38,713**	**808,861**	**117,777**
Additions	5,383	7,626		0	0	14,077	27,086	0
Donations	0	0		0	0	0	0	
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-16,596	0		2,109	190	0	-14,297	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-13,242	0		0	38	0	-13,204	0
De-recognition and Disposals	-24,942	0		0	-32	0	-24,974	0
Assets reclassified to (-)/from Held for Sale	0	0		0	0	0	0	0
Assets reclassified to (-)/from PPE	5,016	0		0	0	-5,016	0	0
Assets reclassified to (-)/from Investment Properties	0	0		0	653	0	653	0
Assets reclassified to (-)/from Intangible Assets	0	0		0	0	0	0	0
Other Movements in Cost or Valuation	0	0		0	0	0	0	0
At 31st March 2021	**698,382**	**31,573**		**2,744**	**3,652**	**47,774**	**784,125**	**117,777**

Cambridgeshire County Council

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets * See separate NBV disclosure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Accumulated Depreciation and Impairment								
At 1st April 2020	**-33,039**	**-23,890**		**0**	**-3**	**-24,822**	**-81,754**	**-60,971**
Depreciation Charge	-9,004	-22		0	-6	0	-9,032	-3,164
Depreciation written out of the Revaluation Reserve	6,923	0		0	5	0	6,928	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,515	0		0	0	0	2,515	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0		0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-7,626		0	0	-3,780	-11,406	0
Assets reclassified to (-)/from Held for Sale	0	0		0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0		0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0		0	0	0	0	0
De-recognition and Disposals	99	0		0	1	0	100	0
Other Movements in Cost or Valuation	0	0		0	0	0	0	
At 31st March 2021	**-32,506**	**-31,538**		**0**	**-3**	**-28,602**	**-92,649**	**-64,135**
At 31st March 2021	**665,876**	**35**		**2,744**	**3,649**	**19,172**	**691,476**	**53,642**
At 31st March 2020	**709,724**	**57**		**635**	**2,800**	**13,891**	**727,107**	**56,806**

Balance Sheet Supporting Notes

Cambridgeshire County Council

Infrastructure Assets Net Book Value Disclosure:

2020-21 £'000	Infrastructure Assets	2021-22 £'000
864,217	**Net Book Value at 1st April**	**911,359**
74,853	Additions	71,091
0	De-recognition and Disposals	0
-27,711	Depreciation Charge	-23,751
911,359	**Net Book Value at 31st March**	**958,699**

Reconciliation to Balance Sheet:

2020-21 £'000	Reconciliation: Total Plant, Property & Equipment	2021-22 £'000
911,359	Infrastructure Assets	958,699
691,476	Other PPE Assets	729,287
1,602,835	**Total PPE Assets at 31st March**	**1,687,986**
1,602,835	**Value of PPE in Balance Sheet**	**1,687,986**

Infrastructure Assets

As set out in this note, Infrastructure Assets have a net book value of £958.7m. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits for the years 2010-11 and 2013-14 mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Capital commitments

At 31 March 2022 the Council has entered into a number of new significant contracts for the construction or enhancement of Property, Plant and Equipment in 2022-23 and future years, budgeted to cost £575.8m. The figures included within the table below represent the remaining contract value.

Contracts with major commitments are:

Expenditure approved and contracted		31-Mar-22 £000
Schools		
WING Development - Cambridge	New construction	3,274
Temporary Accommodation	Mobile buildings	3,086
Highways		
Highways Contract	To cover structural work, surfacing, road works and capital schemes for highways	473,965
Chisholm Trail and Abbey-Chesterton Bridge	Creation of a walking and cycle route including a new bridge	8,443
Greater Cambridge Partnership schemes	Various schemes	4,920
Wisbech Town Centre Access Study	Design and Delivery of multiple highways schemes in the vicinity of Wisbech	2,768
Property		
Building Maintenance	Building, Mechanical and Electrical Services	12,000
Energy		
Energy Projects	To cover solar farm, landfill energy and smart energy grid projects along with any other design and build capital energy projects	28,220
IT		
EastNet (CPSN Replacement)	Key network connectivity	5,428
Connecting Cambridgeshire	Superfast broadband rollout	10,324
Total		**552,428**

Capitalisation of Borrowing Costs

In accordance with the Council's accounting policy, the Council capitalised £1,127k of borrowing costs in year in relation to qualifying assets (£1,232k in 2020-21). This was calculated using the Council's average borrowing rate of between 2.2% and 2.4% for the 4 quarters of 2021-22.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, all assets are revalued via desktop valuation in year two and by indexation in years three to five. For 2021-22, the valuations were carried out externally by Royal Institution of Chartered Surveyors (RICS) registered valuers, Bruton Knowles LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the RICS Valuation. The effective date of revaluation for the rolling programme, desktop valuations and all Surplus assets is 30 November 2021.

The significant assumptions applied in estimating current values are:

- Building values based on building indices (Building Cost Information Service (BCIS)); and
- Land values based on existing use (for example, if offices are based on the land then the land is valued for office use, if buildings on the land have industrial use then the land is valued based on employment land value).

Valuation of long-term assets

	Carried at Historical Cost	Valued at Current Value as at:					
		2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		58,318	8,163	169,413	260,274	214,753	**710,921**
Vehicles, Plant, Furniture and Equipment	40,558	0	0	0	0	0	**40,558**
Community Assets	0	620	0	0	2,104	0	**2,724**
Surplus Assets	0	0	0	0	1,746	2,474	**4,220**
Assets Under Construction	80,691	0	0	0	0	0	**80,691**
	121,249	**58,938**	**8,163**	**169,413**	**264,124**	**217,227**	**839,114**
Assets Held for Sale	0	89	2	0	0	181	**272**
Investment Properties	0	0	0	0	3,252	126,910	**130,162**
Total Held at Cost or Revaluation	**121,249**	**59,027**	**8,165**	**169,413**	**267,376**	**344,318**	**969,548**

24. INVESTMENT PROPERTIES

The following items of income have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2020-21 £000		2021-22 £000
-6,372	Rental income from investment property	-6,857
-6,372	**Total**	**-6,857**

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

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

2020-21 £000		2021-22 £000
137,359	**Balance Outstanding at Start of Year**	**127,606**
0	Additions (purchases)	0
0	Disposals	0
-8,550	Net Gains (+)/Losses (-) from Fair value adjustments	212
-1,203	Transfers to/from PPE	2,344
127,606	**Balance outstanding at year end**	**130,162**

25. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Valuation or Cost	Archives £000	Art Collection £000	Total Assets £000
31-Mar-20	**18,999**	**11**	**19,010**
Additions during 2020-21	2	0	**2**
31-Mar-21	**19,001**	**11**	**19,012**
Additions during 2021-22	0	0	**0**
31-Mar-22	**19,001**	**11**	**19,012**

The Council's collections of archives and art are valued in the Balance Sheet at insurance valuation. The most recent valuation of archives was carried out by Bonhams on 13th March 2020. These valuations are repeated periodically. The Council has considered the collections during 2021-22 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

26. LONG-TERM DEBTORS

This section gives details of amounts expected to be realised after one year.

2020-21 £000		2021-22 £000
115,891	This Land Group	113,851
21,586	Long term finance lease receivable	21,585
10,391	Other	9,536
147,868		**144,972**

27. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried on the Balance Sheet.

	Long-term		Current	
	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	27,937	**38,375**	0	**0**
Financial assets at amortised cost	6,366	**6,366**	0	**0**
Total investments	**34,303**	**44,741**	**0**	**0**
Cash and cash equivalents:				
Cash and cash equivalents	0	**0**	92,598	**93,701**
Total cash and cash equivalents	**0**	**0**	**92,598**	**93,701**
Debtors:				
Financial assets at amortised cost	147,868	**144,972**	76,571	**97,872**
Total debtors	**147,868**	**144,972**	**76,571**	**97,872**
Borrowings:				
Financial liabilities at amortised cost	-562,407	**-627,990**	-248,872	**-150,000**
Total borrowings	**-562,407**	**-627,990**	**-248,872**	**-150,000**
Other liabilities:				
Other liabilities	-104,224	**-101,873**	-104,099	**-111,206**
Total other liabilities	**-104,224**	**-101,873**	**-104,099**	**-111,206**

Income, Expense, Gains and Losses

	2021-22			
	Financial Liabilities at amortised cost	Financial Assets at amortised cost	Financial Assets: Through Other Comprehensive Income	Total
	£000	£000	£000	£000
Interest expense	32,570	0	0	**32,570**
Total expense in (Surplus)/ Deficit on the Provision of Services	**32,570**	**0**	**0**	**32,570**
Interest income	0	-10,313	0	**-10,313**
Total income in (Surplus)/ Deficit on the Provision of Services	**0**	**-10,313**	**0**	**-10,313**
Net gains(-)/losses(+)	0	0	-2,088	**-2,088**
Total income and expenditure in Other Comprehensive Income and Expenditure	**0**	**0**	**-2,088**	**-2,088**
Net (gain) / loss for the year	**32,570**	**-10,313**	**-2,088**	**20,169**

Fair Values

There are material changes to the Fair Value notes, some based on the category of their initial valuation:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

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

- Level 3 Inputs – unobservable inputs for the asset or liability.

There were no transfers between input levels during the financial year.

There has been no change in the valuation technique used during the year for the financial instruments.

Except for the financial assets carried at fair value, all other financial assets and financial liabilities are carried on the balance sheet at amortised cost. The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions to provide an estimate of the value of payments in the future in today's terms as at the balance sheet date:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Fair value hierarchy for financial liabilities

	31-Mar-21		31-Mar-22	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-420,198	-542,959	-464,833	-482,475
Non-PWLB borrowing	-391,081	-463,151	-313,157	-339,180
Short term creditors/payables	-101,431	-101,431	-108,855	-108,855
Short term finance lease & PFI liability	-2,668	-2,668	-2,351	-2,351
Long term finance lease & PFI liability	-104,224	-104,224	-101,873	-101,873
Total financial liabilities	**-1,019,602**	**-1,214,433**	**-991,069**	**-1,034,734**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £482.5m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Fair value hierarchy for financial assets

	31-Mar-21 Carrying amount £000	31-Mar-21 Fair value £000	31-Mar-22 Carrying amount £000	31-Mar-22 Fair value £000
Fixed term investments	0	0	0	0
Cash and cash equivalents	92,598	92,598	93,701	93,701
Debtors	76,571	76,571	97,872	97,872
Long-term debtors	147,868	147,868	144,972	144,972
Total financial assets	**317,037**	**317,037**	**336,545**	**336,545**
Long Term Equity Investments	27,937	27,937	38,375	38,375
Financial assets through other comprehensive income (FVOCI)	**27,937**	**27,937**	**38,375**	**38,375**

The fair value of the assets is the same as the carrying amount because the amortised cost of the Council's portfolio financial assets is a fair approximation of their value. The fair value of long-term debtors is also taken to be the carrying amount.

28. FAIR VALUE HIERARCHY

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2022 and 31 March 2021 are as follows:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2022 £000
Surplus Assets	3	4,218	**4,221**
Assets Held for Sale	0	272	**272**
Investment Assets: Commercial	87,028	40,572	**127,600**
Investment Assets: Residential	0	73	**73**
Investment Assets: Land	0	2,489	**2,489**
Total	**87,031**	**47,624**	**134,655**

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2021 £000
Surplus Assets	195	3,454	**3,649**
Assets Held for Sale	228	1,054	**1,282**
Investment Assets: Commercial	124,971	0	**124,971**
Investment Assets: Residential	377	2,168	**2,545**
Investment Assets: Land	0	90	**90**
Total	**125,771**	**6,766**	**132,537**

Valuation Techniques

There has been no change in the valuation techniques used during the year for properties valued by fair value. The approaches are outlined below.

Significant Observable Inputs – Level 2

Land, Office, Day Centre, Depot, Student Accommodation, Leisure, Industrial and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Observable Inputs – Level 3

Ancient Monument, Community Centres, former Landfill, Amenity Land, Farmland, Workshops and Educational assets have been based on a comparable approach. This is by estimated market rental values (as the majority of these assets are let at sub-market rents) or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at the Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout,
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 13 assets their highest and best use is actually for an alternative use (9 assets in 2020-21). In most cases, this alternative use is for residential development land – however the Council cannot realise that alternative value until planning permission is granted (although this is not guaranteed) and / or the asset is sold. As such, in the meantime these assets are either not in use (and therefore their current existing use is their previous use) or they have been put to an alternative use in the meantime whilst they await disposal or future development.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Fair value movements for assets categorised within level 3:	**31-Mar-21** **£000**	**31-Mar-22** **£000**
Opening balance	5,888	6,766
Transfers into level 3	652	39,162
Transfers out of level 3	0	0
Reclasses between PPE, AHFS and Investment Properties	0	5,278
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	52	-715
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	180	-2,276
Additions	0	0
Disposals	0	-572
Depreciation	-6	-21
Closing Balance	**6,766**	**47,622**

The loss arising from changes in the fair value of level 3 assets has been recognised in the Surplus or Deficit on the Provision of Services in the People and Communities and Corporate Services expenditure lines.

29. SHORT-TERM DEBTORS

31-Mar-21 £000		31-Mar-22 £000
32,127	Trade debtors	31,275
48,241	Central government bodies	56,607
650	NHS bodies	4,594
7,972	Collection fund debtors	6,414
3,350	Other	7,070
92,340	**Total Short Term Debtors**	**105,960**

30. 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 within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents also include bank overdrafts where these arise as an integral part of the Council's cash management. The cash position is managed to ensure that a broadly neutral position is maintained on a daily basis (i.e. surplus cash balances are temporarily invested until next needed); overdrawn balances represent cash in transit at 31 March. The Council's cash management arrangements do not extend to bank balances held by schools in their own bank accounts.

The following table shows the balance of cash and cash equivalents at 31 March. The balance of Cash and Cash Equivalents is made up of the following elements:

31-Mar-21 £000		31-Mar-22 £000
36,827	Cash held by the Council	38,056
55,771	Cash equivalents	55,645
92,598	**Total Cash and Cash Equivalents**	**93,701**

31. SHORT-TERM CREDITORS

31-Mar-21 £000		31-Mar-22 £000
-52,336	Trade creditors	-49,890
-38,325	Central government bodies	-49,606
-4,478	NHS bodies	-5,771
-6,927	Collection fund creditors	-7,256
-5,371	Accumulated absences accrual	-6,081
-2,668	Finance lease liabilities	-2,351
-8,474	Other	-10,008
-118,579	**Total Short Term Creditors**	**-130,963**

32. OTHER LONG-TERM LIABILITIES

An analysis of other long-term liabilities is shown below:

31-Mar-21 £000		31-Mar-22 £000
-700,671	Pensions liabilities	-552,846
-77	Long term finance lease (non-PFI)	-77
-104,147	Long term finance lease (PFI)	-101,796
-804,895		**-654,719**

33. GRANT INCOME

The following is a list of all grants and contributions received in excess of £2 million during 2021-22 where the grant / contribution has been recognised as income:

2020-21 £000		2021-22 £000
	Credited to taxation and non specific grant income	
22,721	Greater Cambridge City Deal Grant	38,631
14,480	S106, CIL and other capital contributions	15,200
17,781	Local Transport Plan funding passported via Combined Authority	13,573
12,423	Adult Social Care Support Grant	13,384
20,282	Covid-19 Support Grant	11,887
0	Business Rates Compensation - COVID reliefs	9,535
10,201	Pothole Action Fund Grant passported via Combined Authority	8,329
4,720	Business Rates Compensation Grant	5,060
12,213	Cambridgeshire and Peterborough Combined Authority contributions	3,692
0	Local Council Tax Support Grant	4,355
4,123	School Condition Grant	2,855
0	High Needs Capital Grant	2,709
448	Public Sector Decarbonisation Grant	2,415
2,927	New Homes Bonus	2,280
0	Connecting Cambridgeshire - Rural Payments Agency Grant	2,173
0	Council Tax & Business Rates Compensation - 75% income guarantee	2,154
6,919	Other grants	5,447
129,238	**Credited to taxation and non specific grant income**	**143,679**

2020-21 £000		2021-22 £000
	Credited to services	
226,712	Dedicated schools grant	240,470
27,248	Public Health grant	27,608
20,531	Learning Disability Partnership (NHS pooled budget contribution)	21,717
16,995	Better Care Fund (NHS pooled budget contribution)	17,927
14,725	Improved Better Care Fund (DLUHC Grant)	14,725
9,749	Pupil premiums	9,621
5,070	Better Care Fund Disabled Facilities Grant (REFCUS)	5,070
0	Building Schools for the Future PFI Credits	4,853
4,322	Unaccompanied asylum seekers grant	4,187
0	Street Lighting PFI Credits	3,944
4,211	Universal Infant Free School Meals funding	3,862
3,254	Children 0-5 PH Programme (PCC)	3,129
2,679	Adult education budget block grant	2,838
0	Waste PFI Credits	2,597
2,335	Integrated Community Equipment Service (NHS pooled budget contribution)	2,423
2,238	Primary schools sports funding	2,184
1,355	Children's Safeguarding Grant	2,146
40,243	Other contributions	37,044
36,572	Other grants	16,212
	Covid 19 Grants and Contributions:	
11,577	Infection Control Grants	9,691
16,968	Other Ringfenced Covid-19 Grants	7,926
0	Workforce Recruitment and Retention Fund for Adult Social Care	4,479
10,296	Covid-19 NHS Contributions	3,837
0	Household Support Fund	3,252
15,311	Contain Outbreak Management Fund	3,068
0	Lateral Flow Testing Grant	2,409
472,391	**Total Credited to services**	**457,219**
601,629	**Grant Total**	**600,898**

Capital grants and contributions received in advance

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2020-21 £000		2021-22 £000
	Current	
1,572	Grants	557
0	Section 106 contributions and Community Infrastructure levy	0
1,572		**557**
	Long Term	
27,482	Section 106 contributions	50,954
175	Other contributions	175
27,657		**51,129**
29,229	**Total**	**51,686**

34. 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 and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2022 was £1,026.6m (£1,022.6m at 31 March 2021).

2020-21 £000		2021-22 £000
	Expenditure funded from capital:	
101,939	Property, Plant and Equipment	129,862
1,669	Intangible Assets	1,333
8,039	Revenue Expenditure Funded from Capital under Statute	2,297
21,072	Long-term Capital Debtors	-2,515
	Sources of finance:	
-1,863	Capital receipts	166
-85,279	Government grants and other contributions	-94,840
-1,660	Direct revenue contributions	-6,907
	Sum set aside from revenue:	
-21,299	MRP/loans fund principal	-25,335
22,618	**Increase in Capital Financing Requirement**	**4,061**
	Explanation of movements in year:	
22,618	Increase in underlying need to borrowing (unsupported by government financial assistance)	4,061
22,618	**Increase in Capital Financing Requirement**	**4,061**

35. LEASES

Council as Lessee:

Finance Leases

The Council has acquired land and buildings, including Child and Family Centres / Pre-schools, libraries and depots, under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts (excluding Waste PFI leases which are disclosed separately in the Waste PFI note (Note 36)):

31-Mar-21 £000		31-Mar-22 £000
30,852	Other land and buildings	**31,923**

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

The minimum lease payments (MLP) and finance lease liabilities (FLL) are made up of the following amounts and will be payable over the following years:

31-Mar-21			31-Mar-22	
MLP £000	FLL £000		MLP £000	FLL £000
7	2	Not later than 1 year	7	2
28	8	Later than 1 year and not later than 5 years	28	8
458	44	Later than 5 years	444	43
493	**54**	**Total**	**479**	**53**

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

In the case of Academies no debtor is recognised due to the long-term nature of the lease (125 years) and no finance income is earned by the Council (as they are leased at peppercorn rent).

The minimum lease payments (MLP) and gross investment in leases (GI) are made up of the following amounts and will be received over the following years:

31-Mar-21			31-Mar-22	
MLP	GI		MLP	GI
£000	£000		£000	£000
1,489	992	Not later than 1 year	1,489	930
5,954	3,388	Later than 1 year and not later than 5 years	5,954	3,177
154,700	11,943	Later than 5 years	153,213	11,224
162,143	**16,323**	**Total**	**160,656**	**15,331**

Note: GI figures do not include any potential unguaranteed residual value and associated unearned finance income due to a lack of reliable information required to accurately calculate them.

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms. The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-21 £000		31-Mar-22 £000
4,942	Not later than 1 year	4,853
13,505	Later than 1 year and not later than 5 years	12,321
17,581	Later than 5 years	17,849
36,028	**Total**	**35,023**

36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

On 17 March 2008, the Council contracted with AmeyCespa WM (East) Limited (formerly Donarbon Waste Management Limited) to provide waste treatment and household waste facilities for the County. At the time the contract was signed, the total estimated contract payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment relates to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. PFI credits of £2.7m per year are received in relation to this contract.

The Council has rights under the contract to use specified assets and expect service provision for the length of the contract period, with the potential to negotiate an extension at the end of the period. Although the contractor took on the obligation to construct the MBT plant, the Council has constructed additional Recycling Centre facilities which have been added to the overall contract via formal change control. The Council will take ownership of the MBT building at the end of the contract, although the land on which the MBT is built will remain under the ownership of the contractor. Therefore, the future of the asset beyond the 28 contract years is determined in part by extension of the land lease agreement.

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.

Balance Sheet Supporting Notes

For 2021-22, the following figures have been recognised in the Council's financial statements:

2020-21 £000	Comprehensive Income and Expenditure Statement	2021-22 £000
13,920	Fair value of services provided	14,430
6,073	Interest payable on the finance lease liability	5,748
2,306	Repayment of capital	381
2,806	Contingent rents	2,133
543	Lifecycle replacement costs	3,737
920	Depreciation	920
-2,611	PFI credits	-2,610

31-Mar-21 £000		31-Mar-22 £000	Movement £000
	Assets		
13,479	Land and buildings	12,581	-898
33	Plant and equipment	11	-22
	Liabilities		
-381	Short term finance lease liability	0	381
-40,384	Long term finance lease liability	-40,384	0
	Reserves		
1,057	Revaluation Reserve	986	-71
-28,310	Capital Adjustment Account (Depreciation and Debt Provision)	-28,778	-468

Projected future payments over the remaining life of the Waste PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	14,797	9,692	-3,613	6,194	**27,070**
Within 2 to 5 years	63,056	4,932	8,595	38,466	**115,049**
Within 6 to 10 years	88,350	15,224	12,139	44,714	**160,427**
Within 11 to 15 years	76,086	4,204	23,264	35,148	**138,702**
Total	**242,289**	**34,052**	**40,385**	**124,522**	**441,248**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2020-21 £000		2021-22 £000
44,570	**Balance outstanding at start of year**	**42,264**
-2,306	Payments during the year	-381
0	Historic adjustment to the outstanding balance	-1,499
42,264	**Balance outstanding at end of year**	**40,384**

Street Lighting PFI

The Street Lighting contract was signed with Balfour Beatty plc. on 19 April 2011, with a service start date of 1 July 2011. This contract was to replace all of the existing lighting equipment, which was beyond its design life, over the initial five years. The contract requires the service provider to maintain the whole of the County Council's lighting street stock for the full 25 years, with the service fee being funded from the

Council's revenue allocations. Although the contract requires maintenance of the entire street lighting stock and replacement of existing equipment beyond its useful life, ownership of the street lighting asset is retained by the County Council.

The contract contains a number of agreed performance standards. One of the standards sets targets regarding the expected number of light replacements over a set period. Should Balfour Beatty fail to achieve this target penalty, deductions are made from subsequent payments. There are no reward payments for exceeding the agreed standard.

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index. Upon conclusion of the 25 year contract the contract will terminate and there are no contractual clauses relating to the renewal of this agreement.

On the 14 April 2011, the Department for Transport confirmed that Cambridgeshire had been successful in its bid for Street Lighting PFI Credits and has awarded £100.3 million over the 25 years of the contract.

For 2021-22, the following figures have been recognised in the Council's financial statements:

2020-21 £000	Comprehensive Income and Expenditure Statement	2021-22 £000
2,381	Fair value of services provided	2,441
3,730	Interest payable on the finance lease liability	3,574
1,682	Repayment of capital	1,478
222	Contingent rents	149
2,244	Depreciation	2,245
-3,944	PFI credits	-3,944

31-Mar-21 £000		31-Mar-22 £000	Movement £000
	Assets		
40,130	Infrastructure	37,885	-2,245
	Liabilities		
-1,478	Short term finance lease liability	-1,432	46
-37,128	Long term finance lease liability	-35,696	1,432
	Reserves		
1,524	Capital Adjustment Account (Depreciation and Debt Provision)	757	-767

Projected future payments over the remaining life of the Street Lighting PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	2,593	621	1,432	3,547	**8,193**
Within 2 to 5 years	12,019	2,664	6,248	12,780	**33,711**
Within 6 to 10 years	16,283	3,773	12,191	12,195	**44,442**
Within 11 to 15 years	14,377	1,877	17,256	6,507	**40,017**
Total	**45,272**	**8,935**	**37,127**	**35,029**	**126,363**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2020-21 £000		2021-22 £000
41,550	**Balance outstanding at start of year**	**39,868**
-1,682	Payments during the year	-1,478
0	Historic adjustment to the outstanding balance	-1,263
39,868	**Balance outstanding at end of year**	**37,127**

Building Schools for the Future (BSF)

On 18 May 2010, the Council entered a contract with Equitix Learning Community Partnerships to deliver school building and ICT projects. This programme includes a PFI element that comprises the following:

- Thomas Clarkson Academy – construction and ongoing Facilities Management services for the school, for which the nominal unitary charge payments over the 25 year concession period from 4 January 2012 to 3 January 2037 will total £144.5m.

This is largely funded by PFI credits totalling £121.1m from the Department for Education, with the difference funded by school contributions and the Council's capital programme.

As Thomas Clarkson Community College converted to academy status on the 1 June 2012 (and became Thomas Clarkson Academy; it was previously a foundation school), its assets are not recognised on the Council's Balance Sheet. However, the associated liabilities are recognised, as the contractor has met their contractual commitment and there is no recourse to the school for any future payments.

Balance Sheet Supporting Notes

For 2021-22, the following figures have been recognised in the Council's financial statements:

2020-21 £000	Comprehensive Income and Expenditure Statement	2021-22 £000
885	Fair value of services provided	907
2,992	Interest payable on the finance lease liability	2,922
662	Repayment of capital	808
572	Contingent rents	614
337	Lifecycle replacement costs	262
-595	Contribution from school	-660
-4,853	PFI credits	-4,853

31-Mar-21 £000	Balance Sheet	31-Mar-22 £000	Movement £000
	Liabilities		
-808	Short term finance lease liability	-919	-111
-26,722	Long term finance lease liability	-25,804	918
	Reserves		
-27,530	Capital Adjustment Account	-26,723	807

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Projected future payments over the remaining life of the BSF contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	930	237	919	3,492	**5,578**
Within 2 to 5 years	3,957	1,058	4,598	13,382	**22,995**
Within 6 to 10 years	5,529	1,567	8,812	14,511	**30,419**
Within 11 to 15 years	6,256	2,436	12,393	9,831	**30,916**
Total	**16,672**	**5,298**	**26,722**	**41,216**	**89,908**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2020-21 £000		2021-22 £000
28,192	**Balance outstanding at start of year**	**27,530**
-662	Payments during the year	-808
27,530	**Balance outstanding at end of year**	**26,722**

37. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

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

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies (see Appendix 1, page 228).

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

As previously stated, the Local Government Pension Scheme (LGPS) is administered locally by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS administered by Cambridgeshire County Council are shown in the Pension Fund Accounts from page 158. As further explained in the Pension Fund Accounts, employer contributions to the scheme are based on two rates, which are reassessed every three years as part of the valuation undertaken by the Fund's actuary:

- Primary rate – employer contribution to fund the cost of new benefits accruing in the Fund;
- Secondary rate – employer contribution required to achieve 100% solvency over a maximum period of 20 years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable (i.e. no fund deficit).

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:

2020-21 £000	Local Government Pension Scheme	2021-22 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of services - service cost comprising:	
50,037	Current service cost	80,165
113	Past service cost	23
-375	Gain (-) or loss (+) from settlements	-876
	Financing and investment income and expenditure:	
11,488	Net interest expense	14,442
61,263	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**93,754**
	Other post-employment benefits charged to the comprehensive income and expenditure statement:	
	Remeasurement of the net defined benefit liability comprising:	
-227,406	Return on plan assets (excluding the amount included in net interest)	-75,703
23,155	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	-4,411
401,720	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	-131,559
-16,402	Other actuarial remeasurement experience	4,086
242,330	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**-113,833**
	Movement in Reserves Statement:	
27,989	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	59,762
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year:	
-33,274	**Employers' contributions payable to scheme**	**-33,992**
43,555	**Retirement Benefits payable to pensioners**	**44,827**

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2020-21 £000		2021-22 £000
-1,952,232	Present value of the defined benefit obligation	-1,902,633
1,251,560	Fair value of plan assets	1,349,787
-700,672		**-552,846**

Reconciliation of the movements in the fair value of scheme (plan) assets

2020-21 £000		2021-22 £000
1,002,860	**Opening Fair Value of Schemes**	**1,251,561**
23,030	Interest income	24,979
	Remeasurement gains (+) or losses (-):	
227,406	Return on plan assets (excluding the amount included in the net interest expense)	75,703
-367	Effect on settlements	-803
33,274	Contributions from employer	33,992
8,913	Contributions from employees into the scheme	9,254
-43,555	Benefits paid	-44,827
1,251,561		**1,349,859**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2020-21 £000		2021-22 £000
1,494,475	**Opening Defined Benefit Obligation**	**1,952,232**
50,037	Current service cost	80,165
34,518	Interest cost	39,421
8,913	Contribution by scheme participants	9,254
	Remeasurement gains (-) or losses (+):	
23,155	Arising from changes in demographic assumptions	-4,411
401,720	Arising from changes in financial assumptions	-131,559
-16,402	Other	4,014
113	Past service costs (including curtailments)	23
-43,555	Benefits paid	-44,827
-742	Liabilities extinguished on settlements	-1,679
1,952,232		**1,902,633**

Local Government Pension Scheme assets comprise:

2020-21 £000		2021-22 £000
34,384	Cash and Cash Equivalents	13,051
116,505	Private equity	144,059
50,516	Debt securities (bonds) - Government	66,242
	Equity instruments (by industry type):	
0	Consumer	0
0	Manufacturing	0
0	Energy and utilities	0
0	Financial institutions	0
0	Health and care	0
0	Information technology	0
0		0
	Investment funds and unit trusts:	
745,092	Equities	778,197
138,523	Bonds	143,467
105,014	Infrastructure	107,247
0	Other	0
988,629		1,028,911
	Derivatives:	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
-14,806	Other	2,731
-14,806		2,731
	Property:	
76,320	UK	94,788
12	Overseas	3
76,332		94,791
1,251,560		**1,349,785**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis as an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions including the discount rate used by the actuary have been:

2020-21		2021-22
Years	**Mortality assumptions:**	**Years**
	Longevity at 65 for current pensioners:	
22.2	Men	22.0
24.4	Women	24.6
	Longevity at 65 for future pensioner:	
23.2	Men	22.8
26.2	Women	26.1
%	**Other assumptions:**	**%**
3.3	Rate of inflation	3.7
3.4	Rate of increase in salaries	3.7
2.9	Rate of increase in pensions	3.2
2.0	Rate for discounting scheme liabilities	2.7

It should be noted that the rate of increase in salaries is the actuarial assumption of the rate of increase over a long-term period, and not the actual value of annual pay increases received by staff.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. Longevity assumptions are made in respect of increases or decreases in life expectancy. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

	Impact on the Defined Benefit Obligation in the Scheme £000
0.1% decrease in inflation/discount rate	36,169
0.1% increase in salary rate	2,877
0.1% increase in pension increase rate	33,035
1 year increase in member life expectancy	76,105

A one year increase in life expectancy would increase the employers' defined benefit obligation by an estimated 3% - 5%

The Council is anticipated to pay £32.5m employer contributions to the scheme in 2022-23.

The Court of Appeal decision on the 28 June 2019 in the Sargeant / McCloud cases (generally referred to for the LGPS as “McCloud”) ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The liabilities disclosed above include an allowance for the McCloud ruling, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. The calculation of this allowance was provided by the Council’s actuary.

PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' pension schemes costs

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021-22, the Council paid £15.2m to Teachers' Pensions in respect of teachers' retirement benefits (2020-21 £15.2m). There were £1.8m contributions remaining payable at the year-end. Contributions in 2022-23 are expected to be at a similar level.

2020-21	Teachers' Pension Scheme	2021-22
£000		£000
15,169	Employer's contributions	15,195
5,770	Employee contributions	5,825
20,939		**21,020**

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. The Council is not liable to the scheme for any other entities obligations under the plan.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall Procedures for Managing Risk

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 a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign rating to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2021-22 was approved by Full Council in February 2021 and is available on the Council's website.

Customers for the Council's goods and services are assessed for their ability to pay in accordance with parameters set by the Council. The Council does not allow credit for its trade receivables beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk to recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council's credit risk exposure to its customers and entities that it loans funds to (such as This Land Limited) is monitored and regularly reviewed to ensure that money owed to the Council is paid as it falls due. The value of these amounts is impaired if it's felt that that this debt would not be recoverable.

During the reporting year the Council held no collateral as security, other than for loans to This Land Group.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover anticipated annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.
The approved treasury indicator limits for the maturity structure of debt and the limits placed on investment placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows (note this reflects loan principal, not accrued interest), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

31-Mar-21 £000	Debt maturity (lower/upper limits as % of debt)	Approved limit %	31-Mar-22 %	31-Mar-22 £000
248,872	Less than 1 year	0 – 80	**19%**	**150,000**
94,761	1-2 years	0 – 50	**14%**	**107,969**
58,791	2-5 years	0 – 50	**8%**	**63,626**
87,995	5-10 years	0 – 50	**10%**	**76,985**
320,860	10 years and above	0 – 100	**49%**	**379,410**
811,279	**Total**		**100%**	**777,990**

The maturity analysis above is based on the earliest date the loans can be repaid. For Lender Option Borrower Option (LOBO) loans this is considered to be the next options date (balance at 31 March 2022 £15.5m).

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

39. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. This includes the Government, Council Members, Chief Officers, and both public and non-public bodies.

Central Government

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 funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 9 analysing income and expenditure.

Member and Senior Officer Declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them.

A close relative of a senior officer is a consultant for the Chartwell Group, following their retirement as Director of Social Care of the group in 2020. The Chartwell Group provide residential education provision and Cambridgeshire children are placed at their facilities meaning the Council made payments in 2021-22 of £1.1m to the group. The senior officer did not have any involvement in decisions about where children are placed, and they retired in December 2021 removing any related party relationship.

Two members are trustees of Viva! Arts & Community Group, which received a loan of £300k from the Council during 2019-20 towards a major building renovation project, with the balance to be repaid at 31 March 2022 being £32.5k. The trust has received in excess of £1m of funding for the project from a number of sources, including The National Heritage Lottery Fund, East Cambridgeshire District Council and Arts Council England.

A copy of the up-to-date statutory Register of Members Interests can be inspected at New Shire Hall. A non-statutory copy has been placed on the Council's website.

Other Supporting Notes

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2022:

Lead Authority arrangements with North Northamptonshire District Council, West Northamptonshire District Council and Milton Keynes Council

Service	Lead Authority
Insurance and Finance Operations (covering Accounts Payable, Receivable, Debt and Finance helpdesk)	Cambridgeshire County Council
Audit and Risk (sharing ended in-year)	Milton Keynes Council
Payroll and HR Transactions, Pensions and Business Systems	West Northamptonshire Council

Shared service transactions under the Lead Authority model are included within Corporate Services in the Comprehensive Income and Expenditure Statement.

Pathfinder Legal Services Ltd

Pathfinder Legal Services Ltd (previously LGSS Law Ltd until September 2021) was spun off from the previous LGSS shared service venture, operating as a private limited company to take advantage of the Alternative Business Structure status that allowed non-lawyers to own legal practices. Ownership was originally split equally between Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Central Bedfordshire Council, with each Council owning 475,000 £1 shares each. In 2021-22, the NCC holding was divided equally between West Northamptonshire Council and North Northamptonshire Council, NCC's successors following local government reorganisation.

Throughout 2021-22 the Section 151 Officer served as non-executive director of Pathfinder Legal Services Ltd on the nomination of Cambridgeshire County Council.

During 2021-22 the Council made payments of £3.4m to Pathfinder Legal Services Ltd as payment for legal services received in the year (2020-21 £6.7m). At 31 March 2022 there was a debtor balance of £246k (2020-21 £700k) and a creditor balance of £120k (2020-21 £49k) with Pathfinder Legal Services Ltd.

Annual Statement of Accounts for Pathfinder Legal Services Ltd are published separately and lodged at Companies House.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.5m (2020-21 £2.0m).
The Council is also the single largest employer of members of the Pension Fund and contributed £29.1m to the Fund in 2021-22 (2020-21: £21.5m). At 31 March 2022 there was £4.7m (31 March 2021: £5.1m) due to the Fund by the Council.

Cambridge and Counties Bank

Cambridge and Counties Bank (CCB) specialises in providing lending and deposit products to UK- based SMEs. Its key products include business deposits, loans secured on property, secured pension lending and asset finance. There was no outstanding balance at year end.
The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall (a constituent college of the University of Cambridge), each owning a 50% share. The current market value of the Pension Fund’s investment at 31 March 2022 is £85.0m (£76.0m at the 31 March 2021).

This Land Group

The Cambridgeshire Housing Investment Company (CHIC) was incorporated in June 2016, and subsequently renamed as This Land Limited on 14 February 2018. ‘This Land Group’ now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group.
During 2021-22 one member (who changed in July after the Council elections) and the Executive Director of Place & Economy served as non-executive directors of This Land Limited on the nomination of Cambridgeshire County Council.

At 31 March 2022 there was a debtor balance of £113.9m (£115.9m at the 31 March 2021) with the This Land Group, being loans by CCC to the This Land Group. As the Council has control of the entity and there are material transactions with the company, the This Land Group is consolidated in the Group Accounts.

Other Supporting Notes

Opus People Solutions (East)

Opus People Solutions (East) (formerly Opus LGSS People Solutions) is a joint venture between Opus People Solutions (a wholly-owned subsidiary of Suffolk County Council) and the former partners of LGSS – Cambridgeshire County Council, Northamptonshire County Council (now West Northants and North Northants Councils) and Milton Keynes Council. The company was set up in July 2016 to meet the temporary and interim recruitment needs of Cambridgeshire County Council and Northamptonshire County Council, and later expanded to cover Milton Keynes Council as well. The Council has a 16% shareholding in the company and received a dividend of £70k during 2021-22 (£50k in 2020-21).

The Director of Customer & Digital Services served as a non-executive director of Opus People Solutions (East) throughout 2021-22 on the nomination of Cambridgeshire County Council.

During 2021-22 the Council made payments of £11.7m (£7.2m in 2020-21) to Opus People Solutions (East) for agency staff fees and there was no outstanding balance owed at 31 March 2022 (£263k at 31 March 2021).

Light Blue Fibre Ltd

Light Blue Fibre is a joint venture with the University of Cambridge, set up in Summer 2019 to enhance local digital infrastructure and explore opportunities to secure a commercial return from the digital infrastructure assets held by the Council. The Council has a 50% shareholding in the company.

During 2021-22, the Section 151 Officer, the Programme Director for Connecting Cambridgeshire and the Assistant Director for Planning, Growth & Environment served as non-executive directors of Light Blue Fibre Ltd on the nomination of Cambridgeshire County Council.

Swaffham Prior Community Heat Network Ltd

The Council incorporated Swaffham Prior Community Heat Network Limited on 19 March 2021 as part of a project to provide a more sustainable heating source of Swaffham Prior in East Cambridgeshire, a village currently dependent on oil. Further details are available on the heat network's website.

During 2021-22, the Section 151 Officer served as a non-executive director of Swaffham Prior Community Heat Network Ltd on the nomination of Cambridgeshire County Council until March 2022. The Deputy-Section 151 Officer and the Service Director for Highways and Transport were also appointed as non-executive directors during 2021-22. At 31 March 2022 there was a debtor balance of £321k (£0k at the 31 March 2021) with Swaffham Prior Community Heat Network Ltd.

40. CONTINGENT LIABILITIES

The Council is involved in a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council.

The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside within the Insurance Reserve to cover the assessed likely cost of such matters over the year in which they are likely to be settled. Provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred.

The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date, but of which the Council is not yet aware. Accordingly, the actual liabilities arising from events that have occurred prior to the Balance Sheet date could exceed or be less than the amount that has been set aside to cover such matters.

Guided Busway

The Council is currently in dispute with the contractor (BAM Nuttall) that delivered the Guided Busway capital scheme, with a trial date set for June 2023. The dispute relates to the rectification of defects that have been identified within the infrastructure and the likelihood of further defects that could arise in the future. It is not practicable, at this point, to estimate with any degree of certainty the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex. As a result, no amounts have been included in the accounts to cover the potential liabilities associated with this action.

41. HERITAGE ASSETS: Further Information on the Council's Collections

Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

Cambridgeshire County Council

A catalogue of the collection is available publicly through the internet and contains details of at least 460,000 items. There are many thousands of other historical documents which are still to be catalogued.

Governance

The authority to hold Public Records comes from The National Archives, which regularly inspects the Archives service to ensure that working practices and policies are maintained.

Major stakeholders, including the owners of some large collections, are represented on the County Advisory Group for Archives and Local Studies (CAGALS). This Group meets three times a year to oversee the management and direction of the archives service and to give its advice where necessary.

Storage and preservation

The archival collections are held in secure, environmentally controlled and monitored strong rooms at Ely and Huntingdon that both meet standard PD5454. The archives which used to be held in the basement of Shire Hall are now held at the new Cambridgeshire Archives building in Ely which opened in 2019. Huntingdonshire Archives is based at Huntingdon Library, opened in 2009.

Cambridgeshire Archives has a conservation studio in which damaged or very fragile documents are repaired. The service also operates a digitisation and photography unit which takes high quality digital images of selected historical documents. The creation of these images reduces the need for the originals to be consulted, thereby assisting in their preservation.

Status of acquisitions

Cambridgeshire Archives holds an estimated 900 cubic metres of archives at Ely and 190 cubic metres at Huntingdon.

The majority of acquisitions are made by long-term or permanent deposit; the service does not own them, but there is an expectation that the owners will not request the documents' return. A minority of acquisitions are made by purchase or donation or by transfer from the Cambridgeshire County Council department which has created them. All assets are deemed to be kept permanently, irrespective of their status as deposit, transfer, donation or purchase.

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase.

The Archives were valued by Bonhams, the international auction house and valuers, in 2020, the first such comprehensive valuation carried out since 2008. The documents that are held at the new archives centre in Ely were collectively valued at £14.7 million (2008 valuation: £14.5 million), while the ones held in the archives store at Huntingdon were valued at £4.3 million (2008 valuation: £4.1 million).

Local Studies

The Council also holds reference and loan Local Studies collections in Libraries. Whereas the archives service preserves original documents, the Local Studies team preserves printed and published material (some of which can still be very old). About 290 cubic metres of local studies reference materials are held at the Cambridgeshire Collection in Cambridge Central Library.

Archaeology and Monuments

The archaeology collection principally consists of around 12,500 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are transferred to the council's ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day. There are also about 28,000 small finds stored separately.

Notable highlights of the collection include assemblages from the earliest origins of the county's cities and towns, including Cambridge, Ely and Huntingdon. We also store over 2,000 human skeletons (all older than 100 years) from several important cemetery excavations, along with associated grave goods in many instances.

As set out in the summary of significant accounting policies, the Council does not consider that reliable cost or valuation information can be obtained for these items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. The value of these assets lies in their research and outreach use.

Other Supporting Notes

The majority of the archaeology collection has been relocated to Deepstore, Winsford, in Cheshire, as it is considered a more suitable and effective storage environment. Access is permitted to scholars and others for research purposes on request. Conservation, retention, preservation and use strategies of the archaeology collections are the responsibility of the Council's Historic Environment Team. This team also arranges safe storage of the collection, and maintains the publicly accessible Cambridgeshire Historic Environment Record, which records 26,000 monuments, 6,000 events and finds within the County.

The cost of preservation of archaeological assets held in store is £22,000 per annum.

The Council has identified certain significant scheduled monuments or listed buildings which are preserved to support future knowledge and culture. Where the primary use of the wider site is for farming no reclassification to heritage asset status has been made. This is the case in 5 instances: Devil's Ditch, Stonea Camp, Worts Meadow, Giant's Hill and Car Dyke.

Similarly, the Council has considered Cambridge Castle and Civil War Defences, which have historical value but are primarily held as a component of otherwise operational sites.

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture. However, Gransden Mill is currently actually held as a surplus asset as the Council is looking to transfer it to a local community group.

Art Collection

The art collection consists of 36 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website. The average insurance valuation per work is £300. Administration of the collection is undertaken by Council staff within Children's Services.

Civic regalia

There are chains of office attached to the positions of Chair and Vice Chair of the Council, and their respective consorts, which are worn in the conduct of official duties. There are also a number of other sundry items which decorate the ceremonial areas of New Shire Hall. The financial value of these sundry items is not known.

GROUP ACCOUNTS

FOREWORD

Cambridgeshire County Council established a wholly owned housing company in order to derive a financial return, which was incorporated on 17 June 2016. The underlying objective of creating a commercial vehicle of this nature is to provide new revenue sources to support the delivery of front-line services to Cambridgeshire residents. From 14 February 2018, the company was renamed 'This Land'. Previously, the company was known as Cambridgeshire Housing & Investment Company but has now rebranded and changed its name at Companies House.

'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group.

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and This Land Limited have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts section where they are materially different from those of the Council's single entity accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2020-21 Gross Expenditure £000	Gross Income £000	Net Expenditure/ Income (-) £000		2021-22 Gross Expenditure £000	Gross Income £000	Net Expenditure/ Income (-) £000
111,093	-36,658	**74,435**	Place & Economy	124,317	-33,599	**90,718**
759,408	-454,711	**304,697**	People & Communities	787,951	-455,689	**332,262**
34,414	-50,058	**-15,644**	Public Health	47,464	-42,496	**4,968**
103,599	-43,798	**59,801**	Corporate Services *	103,646	-51,824	**51,822**
1,008,514	**-585,225**	**423,289**	**Cost Of Services**	**1,063,378**	**-583,608**	**479,770**
22,623	0	**22,623**	Other operating expenditure	417	-4,289	**-3,872**
54,806	-8,790	**46,016**	Financing and investment income/ expenditure	47,012	-10,870	**36,142**
0	-501,444	**-501,444**	Taxation and Non-Specific Grant Income	0	-537,037	**-537,037**
		-9,516	**Surplus (-) or Deficit on Provision of Services**			**-24,997**
		-31,940	Surplus on revaluation of Property, Plant and Equipment			**-36,591**
		39,321	Impairment and revaluation losses charged to the Revaluation Reserve			**17,918**
		-419	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income			**-2,088**
		181,067	Re-measurement of net pension benefit/ liability			**-207,587**
		188,029	**Other Comprehensive Income and Expenditure**			**-228,348**
		178,513	**Total Comprehensive Income (-) and Expenditure**			**-253,345**

* 2020-21 comparators restated due to restructure, with figures for Commercial & Investment and LGSS Operational service lines now included in Corporate Services service line

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 28).

Group Accounts and Supporting Notes

GROUP BALANCE SHEET

31-Mar-21 £000		31-Mar-22 £000
1,602,879	Property, Plant and Equipment	1,688,008
19,012	Heritage Assets	19,012
130,082	Investment Property	130,162
12,614	Intangible Assets	11,447
28,452	Long Term Investments	38,890
32,003	Long Term Debtors	31,147
1,825,042	**Long Term Assets**	**1,918,666**
1,282	Assets Held for Sale	272
74,061	Inventories/WIP	67,961
94,481	Short Term Debtors	106,629
110,931	Cash and Cash Equivalents	120,793
280,755	**Current Assets**	**295,655**
-248,872	Short Term Borrowing	-150,000
-122,711	Short Term Creditors	-138,710
-2,518	Provisions	-2,109
-1,572	Capital Grants and Contributions Receipts in Advance	-557
-375,673	**Current Liabilities**	**-291,376**
-6,940	Provisions	-7,537
-562,407	Long Term Borrowing	-627,990
-804,895	Other Long Term Liabilities	-654,719
-27,657	Capital Grants and Contributions Receipts in Advance	-51,129
-1,401,899	**Long Term Liabilities**	**-1,341,375**
328,225	**Net Assets**	**581,570**
185,955	Usable Reserves	214,447
142,270	Unusable Reserves	367,123
328,225	**Total Reserves**	**581,570**

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2022 and its income and expenditure for the year 2021-22 and authorise the accounts for issue.

M. Hudson

Michael Hudson
Executive Director for Finance and Resources (Section 151 Officer)
Date: 29 April 2024
The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 29).

Group Accounts and Supporting Notes

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund *	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves Total	Unusable Reserves Total	Reserves Total
	£000	£000	£000	£000	£000	£000
Adjusted Balance at 1-Apr-20	**90,526**	**11,632**	**35,623**	**137,781**	**368,957**	**506,738**
Movement in 2020-21						
Total comprehensive income and expenditure	9,516	0	0	9,516	-188,029	-178,513
Adjustments between accounting and funding basis under regulations	38,720	-771	709	38,658	-38,658	0
Increase (+) or decrease (-) in 2020-21	48,236	-771	709	48,174	-226,687	-178,513
Balance at 31-Mar-21	**138,762**	**10,861**	**36,332**	**185,955**	**142,270**	**328,225**
Movement in 2021-22						
Total comprehensive income and expenditure	24,997	0	0	24,997	228,348	253,345
Adjustments between accounting and funding basis under regulations	4,435	2,996	-3,936	3,496	-3,496	0
Increase (+) or decrease (-) in 2021-22	**29,432**	**2,996**	**-3,936**	**28,493**	**224,852**	**253,345**
Balance at 31-Mar-22	**168,194**	**13,857**	**32,396**	**214,448**	**367,122**	**581,570**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report of the Council’s single entity accounts (page 29).

GROUP CASH FLOW STATEMENT

2020-21 £000		2021-22 £000
-9,516	**Net surplus (-) or deficit (+) on the provision of services**	**-24,997**
-36,983	Depreciation	-33,208
-22,095	Impairment and downward valuations	-13,274
-2,961	Amortisation	-2,500
-14,085	Increase (-)/ decrease in creditors	18,190
26,131	Increase/ decrease (-) in debtors	15,419
-5,812	Increase/ decrease (-) in inventories	-6,100
-27,989	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-59,762
-24,893	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-18,085
-26,399	Other non-cash items charged to the deficit on the provision of services	-3,064
-135,086	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-102,384**
0	Proceeds from short-term and long-term investments	3,236
2,686	Proceeds from the sale of property, plant and equipment	19,918
83,101	Grants for financing capital expenditure	90,905
10,741	Any other items for which the cash effects are investing or financing activities	-29,603
96,528	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**84,456**
-48,074	**Net cash flows from Operating Activities**	**-42,925**
112,704	Purchase of property, plant and equipment	121,180
14,520	Purchase of short-term and long-term investments	8,350
372	Other payments for investing activities	160
0	Proceeds from short-term and long-term investments	-3,236
-2,686	Proceeds from the sale of property, plant and equipment	-19,918
-89,806	Capital Grants Received	-117,906
-18,354	Other receipts from investing activities	-11,001
16,750	**Investing Activities**	**-22,371**
-271,000	Cash receipts of short and long-term borrowing	-238,000
4,772	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	2,667
222,232	Repayments of short and long-term borrowing	271,365
24,627	Other payments for financing activities	19,402
-19,369	**Financing Activities**	**55,434**
-50,693	**Net increase (-) or decrease (+) in cash and cash equivalents**	**-9,862**
60,238	Cash and cash equivalents at the beginning of the reporting year	110,931
110,931	**Cash and cash equivalents at the end of the reporting year**	**120,793**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 30).

NOTES TO THE GROUP ACCOUNTS

1. GROUP BOUNDARY

This Land Limited was incorporated on 17 June 2016 (as Cambridgeshire Housing and Investment Company Limited).

Cambridgeshire County Council owns 100% of the share capital of This Land Limited, the parent of a group of 100% owned subsidiary companies. This Land Limited is a subsidiary for accounting purposes, and have been consolidated into the Council's group accounts.

None of the other Trading Companies in which the Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be seen within the Related Parties note in the Council's single entity accounts (Note 39).

2. BASIS OF CONSOLIDATION

The financial statements of This Land Limited have been consolidated with those of the Council on a line by line basis; which has eliminated balances, transactions, income and expenses between the Council and the subsidiary. The following documents have been used in the consolidation for the period 1 April 2021 to 31 March 2022:

- This Land Limited consolidated Draft Financial Statements for the period ended 31 March 2022;

3. BUSINESS ACTIVITIES OF THE SUBSIDIARIES

This Land Limited (and its subsidiaries) has been established as a housing company that will commercially deliver residential housing on sites previously used for other purposes.

4. ACCOUNTING POLICIES

In preparing the Group Accounts the Council has aligned the accounting policies of the subsidiaries with those of the Council. The accounting policies of This Land Limited are the same as those of Cambridgeshire County Council (refer to Appendix 1), with the following addition for This Land Limited:

- **Deferred taxation**

  Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits against which the underlying timing differences can be deducted.

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2020-21 £000		2021-22 £000
	Expenditure	
310,410	Employee Benefits Expenses	354,627
636,067	Other Services Expenses	659,763
0	Support Service Recharges	0
70,587	Depreciation, amortisation, impairment	48,982
46,256	Interest Payments	47,012
416	Precepts and Levies	423
22,207	Loss on the disposal of assets	0
1,085,943	**Total Expenditure**	**1,110,807**
	Income	
-112,834	Fees, charges and other service income	-126,389
0	Gain on the disposal of assets	-4,289
-8,790	Interest and Investment Income	-10,870
-372,206	Income from Council Tax and Non-domestic rates	-393,358
-601,629	Government Grants and Contributions	-600,898
-1,095,459	**Total Income**	**-1,135,804**
-9,516	**Surplus (-) or Deficit (+) on the Provision of Services**	**-24,997**

6. LONG-TERM DEBTORS

This section gives details of amounts expected to be realised after one year.

2020-21 £000		2021-22 £000
21,586	Long term finance lease receivable	21,585
10,417	Other	9,562
32,003	**Total**	**31,147**

Cambridgeshire County Council

7. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial Instrument are carried on the combined Balance Sheets of the group. The main changes from the single entity accounts relate to the Cash & Cash Equivalents and current and long-term debtors as these transactions have been eliminated as part of the production of the accounts.

	Long-term		Current	
	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	27,937	38,375	0	0
Financial assets at amortised cost	515	515	0	0
Total investments	**28,452**	**38,890**	**0**	**0**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	110,931	120,793
Total cash and cash equivalents	**0**	**0**	**110,931**	**120,793**
Debtors:				
Financial assets at amortised cost	32,003	31,147	78,712	98,541
Total debtors	**32,003**	**31,147**	**78,712**	**98,541**
Borrowings:				
Financial liabilities at amortised cost	-562,407	-627,990	-248,872	-150,000
Total borrowings	**-562,407**	**-627,990**	**-248,872**	**-150,000**
Other liabilities:				
Other liabilities	-104,224	-101,873	-108,231	-118,952
Total other liabilities	**-104,224**	**-101,873**	**-108,231**	**-118,952**

8. 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 within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents also include bank overdrafts where these arise as an integral part of the Council's cash management. The cash position is managed to ensure that a broadly neutral position is maintained on a daily basis (i.e. surplus cash balances are temporarily invested until next needed); overdrawn balances represent cash in transit at 31 March. The Council's cash management arrangements do not extend to bank balances held by schools in their own bank accounts.

The following table shows the balance of cash and cash equivalents at 31 March. The balance of Cash and Cash Equivalents is made up of the following elements:

31-Mar-21		31-Mar-22
£000		**£000**
55,160	Cash	65,148
55,771	Cash equivalents	55,645
110,931	**Total Cash and Cash Equivalents**	**120,793**

9. INVENTORY

2020-21 £000		2021-22 £000
79,997	**Balance Outstanding at Start of Year**	**74,061**
1,545	Additions	**17,050**
-7,481	Recognised as an expense in year	**-23,149**
74,061		**67,962**

10. EXTERNAL AUDIT COSTS

2020-21 £000		2021-22 £000
132	Fees payable with regard to external audit services carried out by the appointed auditor	222
14	Fees payable in respect of other services provided by the appointed auditor	0
70	Additional fees payable with regard to external audit services carried out by the appointed auditor in the prior year	141
216		**363**

PENSION FUND ACCOUNTS

FUND ACCOUNT

31-Mar-21 £000		Notes	31-Mar-22 £000
	Dealings with members, employers and others directly involved in the fund:		
154,534	Contributions	Note 7	134,643
22,232	Transfers in from other pension funds	Note 8	11,532
176,766			**146,175**
-109,596	Benefits	Note 9	-118,306
-11,632	Payments to and on account of leavers	Note 10	-8,754
-121,228			**-127,060**
55,538	**Net additions/(withdrawals) from dealing with members**		**19,115**
-22,690	Management expenses	Note 11	-25,633
32,848	**Net additions/(withdrawals) including fund management expenses**		**-6,518**
	Returns on investments:		
31,406	Investment income	Note 13	30,719
0	Taxes on income		0
836,312	Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	382,996
867,718	**Net return on investments**		**413,715**
900,566	**Net increase/(decrease) in the net assets available for benefits during the year**		**407,197**
2,997,669	Opening net assets of the scheme		3,898,235
3,898,235	**Closing net assets of the scheme**		**4,305,432**

NET ASSET STATEMENT

31-Mar-21 £000		Notes	31-Mar-22 £000
3,913,043	Investment assets		4,290,145
-48,160	Investment liabilities		-2,445
3,864,883	**Total net investments**	Note 14	**4,287,700**
39,679	Current assets	Note 21	23,805
-6,327	Current liabilities	Note 22	-6,073
33,352	**Net Current Assets**		**17,732**
3,898,235	**Closing net assets of the scheme**	Note 17a	**4,305,432**

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

INDEPENDENT AUDITOR'S REPORT

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director for Finance and Resources's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Finance and Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Statement of Accounts and Annual Governance Statement 2021-22, other than the financial statements and our auditor's report thereon. The Executive Director for Finance and Resources is responsible for the other information contained within the 'Statement of Accounts and Annual Governance Statement 2021-22'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended). We have nothing to report in these respects.

Responsibility of the Executive Director for Finance and Resources

As explained more fully in the 'Statement of the Responsibilities, Certificate and Approval of Accounts' set out on pages 35 to 36, the Executive Director for Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2021/22, and for being satisfied that they give a true and fair view.
The Executive Director for Finance and Resources is also responsible for such internal control as the Executive Director for Finance and Resources determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Finance and Resources is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Executive Director for Finance and Resources.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government
- Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquries of the management. We corroborated this through our reading of the Pension
- Committee minutes, Pension Fund policies and procedures and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 Cambridgeshire County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON
ERNST & YOUNG LLP
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Date: 29th April 2024

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2021-22 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.
- The Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2022 there was 213 (2021: 217) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-21	31-Mar-22
Number of employers with active members	217	213

The Fund has over 92,000 individual members, as detailed below:

Number of employees in scheme:	**31-Mar-21**	**31-Mar-22**
County council	9,483	9,362
Other employers	19,228	19,549
Total	**28,711**	**28,911**
Number of Pensioners:		
County council	8,861	9,185
Other employers	11,519	12,155
Total	**20,380**	**21,340**
Deferred pensioners:		
County council	13,793	13,859
Other employers	17,112	17,514
Total	**30,905**	**31,373**
Undecided Leavers:		
County council	4,072	4,627
Other employers	5,339	6,384
Total	**9,411**	**11,011**
Total members	**89,407**	**92,635**

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions.

Accrued pension is updated annually in line with the Consumer Price Index.
There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. Member - Pension Details

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2022) was 125%. The Funding Level at year ending March 2023 was 152%.

There are 491 individual active employers as at March 2023. All employers are paying their contributions as per the rates and adjustment certificate. No employer has deferred their payments. Benefits paid for the year were approximately £118m, with contributions of approximately £134m, showing a net cash inflow.

The actual annual investment return for March 2023 was -2.8% and the Fund value had decreased to £4.231 billion, meaning the fund has decreased by £73.6 million during the year. At 31 March 2023, the Pension Fund has 56.3% of its investments allocated to equities and 13.9% allocated to Bonds, with £25.3 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund has reviewed its cash flow forecast for the going concern period to 30 June 2025. The Pension Fund has sufficient cash liquidity to meet its payments without the need to sell any investments.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £3.0 billion which significantly exceeds the annual expenditure of the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Contributions from members are set in accordance with LGPS regulations and contributions from members are set at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on an receipt basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits / losses during the year.

Fund Account – Expense Items

Benefits Payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management Expenses
The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative Expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Oversight and Governance Costs
All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

Investment Management Expenses
Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported returns on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2021-22, £234k of fees are based upon such estimates (2020-21: £226K). In addition, manager fees deducted from pooled funds of £21.9m (2020-21: £16.8m) are estimated based upon information received from fund managers.

Net Assets Statement

Financial Assets
Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits**

Uncertainties: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions: The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability by approximately £115m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £224m. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

- **Cambridge and Counties Bank**

Uncertainties: Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

Effect if actual results differ from assumptions: The investment in the financial statements is £85.0m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £81.7m to £89.1m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other Private Equity and Infrastructure**

Uncertainties: All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.

Effect if actual results differ from assumptions: Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £714.7m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.7%, which indicates that Other private equity and infrastructure values may range from £545.3m to £884.1m.

6. EVENTS AFTER THE BALANCE SHEET DATE

Since 31 March 2022 the Fund has undergone its 2022 triennial valuation, the 2021-22 accounts were not signed during the finalising of the valuation period, improved data has become available, for example membership data, this has caused an adjusting event to the Funds IAS26 actuarial present value of promised retirement benefits disclosure. The value of the promised retirement benefits have decreased from £5,591m to £5,536m which has been reflected in Note 20.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-21 £000		31-Mar-22 £000
29,081	**Employees' contributions**	**30,628**
	Employers' contributions:	
89,914	Normal contributions	93,644
35,539	Deficit recovery contributions	10,371
125,453	**Total employers' contributions**	**104,015**
154,534		**134,643**

By Authority:

31-Mar-21 £000		31-Mar-22 £000
28,127	Administering authority	29,164
120,606	Scheduled bodies	99,693
5,801	Admitted bodies	5,786
154,534		**134,643**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-21 £000		31-Mar-22 £000
6,750	Individual transfers	10,865
15,482	Group transfers	667
22,232		**11,532**

9. BENEFITS PAYABLE

By Category:

31-Mar-21 £000		31-Mar-22 £000
92,311	Pensions	96,636
14,081	Commutation and lump sum retirement benefits	19,444
3,204	Lump sum death benefits	2,226
109,596		**118,306**

By Authority:

31-Mar-21 £000		31-Mar-22 £000
35,867	Administering authority	36,422
64,819	Scheduled bodies	71,853
8,910	Admitted bodies	10,031
109,596		**118,306**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-21 £000		31-Mar-22 £000
998	Refunds to members leaving service	793
5,113	Group transfers	0
5,521	Individual transfers	7,961
11,632		**8,754**

11. MANAGEMENT EXPENSES

31-Mar-21 £000		31-Mar-22 £000
2,726	Administrative costs	2,602
19,230	Investment management expenses	22,130
734	Oversight and governance costs*	901
22,690		**25,633**

*Base fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2020-21 £17k). The scale fee variation will be communicated in due course.

12. INVESTMENT MANAGEMENT EXPENSES

2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	257	0	0	0	257
Pooled investments	9,441	0	0	421	9,862
Pooled property investments	431	0	435	170	1,036
Private Equity/Infrastructure	5,748	4,137	187	883	10,955
Custody Fees	0	0	0	20	20
Total	**15,877**	**4,137**	**622**	**1,494**	**22,130**

2020/21	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	175	0	0	0	175
Pooled Investments	7,930	0	16	338	8,284
Pooled property investments	632	0	261	3	896
Private Equity/Infrastructure	5,021	3,092	0	1,762	9,875
Custody fees	0	0	0	0	0
Total	**13,758**	**3,092**	**277**	**2,103**	**19,230**

13. INVESTMENT INCOME

31-Mar-21 £000		31-Mar-22 £000
526	Income from bonds	780
3	Income from equities	0
11,975	Pooled investments – unit trusts and other managed funds	8,597
7,859	Pooled Property Investments	8,487
10,524	Private equity/infrastructure income	12,826
519	Interest on cash deposits	29
0	Other – securities lending income	0
31,406		**30,719**

14. INVESTMENTS

31-Mar-21		31-Mar-22
£000		£000
	Investment assets	
156,972	Bonds	210,791
2,761,795	Pooled investments	2,945,943
237,190	Pooled property investments	301,637
688,334	Private equity/infrastructure	799,689
66,353	Cash deposits	19,850
2,152	Derivatives contracts: Options	11,100
247	Investment income due	286
0	Amounts receivable for sales	849
3,913,043	**Total investment assets**	**4,290,145**
	Investment liabilities	
-48,160	Derivatives contracts: Options	-2,410
0	Amounts payable for purchases	-35
-48,160	**Total investment liabilities**	**-2,445**
3,864,883	**Net investment assets**	**4,287,700**

14(a). Reconciliation of movements in investments and derivatives

	Market value 01-Apr-21 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-22 £000
Bonds	156,972	132,231	-81,155	2,743	**210,791**
Pooled investments	2,761,795	40,086	-112,164	256,226	**2,945,943**
Pooled property investments	237,190	45,014	-21,426	40,859	**301,637**
Private equity/infrastructure	688,334	75,093	-87,909	124,171	**799,689**
	3,844,291	**292,424**	**-302,654**	**423,999**	**4,258,060**
Derivative contracts:					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	8,690
	3,798,283	**442,200**	**-355,727**	**381,994**	**4,266,750**
Other investment balances:					
· Cash deposits	66,353				**19,850**
· Investment income due	247				**286**
· Amount receivable for sales	0				**849**
· Amounts payable for purchases of investments	0				**-35**
Net investment assets	**3,864,883**				**4,287,700**

14(a). Reconciliation of movements in investments and derivatives (continued)

	Market value 01-Apr-20 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-21 £000
Bonds	155,686	0	0	1,286	**156,972**
Equities	1	0	-1	0	**0**
Pooled investments	2,029,182	420,916	-499,538	811,235	**2,761,795**
Pooled property investments	225,063	15,821	-4,215	521	**237,190**
Private equity/infrastructure	500,810	137,005	-55,395	105,914	**688,334**
	2,910,742	**573,742**	**-559,149**	**918,956**	**3,844,291**
Derivative contracts:					
• Purchased/written options	36,582	0	0	-82,590	**-46,008**
	2,947,324	**573,742**	**-559,149**	**836,366**	**3,798,283**
Other investment balances:*					
· Cash deposits	31,585				**66,353**
· Investment income due	722				**247**
Net investment assets*	**2,979,631**				**3,864,883**

14(b). Investments analysed by fund manager

Market value 31-Mar-21 £000	% of net investment assets		Market value 31-Mar-22 £000	% of net investment assets
		Investments managed under Pool Governance:		
1,358,174	35.1	Link Fund Solutions	1,709,669	39.9
957,079	24.8	UBS Global Asset Management	959,654	22.4
2,315,253	**59.9**	**Total Investments managed under Pool Governance**	**2,669,323**	**62.3**
		Investments managed outside Pool Governance:		
131,898	3.4	Adams Street Partners	178,519	4.2
19,736	0.5	Allianz Global Investors	19,190	0.4
45,488	1.2	Ares Management	41,671	1.0
183,388	4.7	BlueBay Asset Management	197,832	4.6
76,000	2.0	Cambridge and Counties Bank	85,000	2.0
15,000	0.4	Cambridge Building Society	15,000	0.3
32,176	0.8	Equitix Investment Management	28,356	0.7
15,225	0.4	Foresight Group	20,565	0.5
123,900	3.2	HarbourVest Partners (UK)	159,331	3.7
62,786	1.6	IFM Infrastructure	76,081	1.8
59,218	1.5	JP Morgan	59,578	1.4
247,048	6.4	M&G Investments	81,036	1.9
54,400	1.5	M&G Real Estate	57,452	1.3
41,798	1.1	Partners Group (UK)	50,001	1.1
141,770	3.7	River and Mercantile Group	0	0.0
252,654	6.5	Schroders Investment Management	520,488	12.1
10,710	0.3	UBS Infrastructure	8,946	0.2
36,435	0.9	Cash with custodian	19,331	0.5
1,549,630	**40.1**	**Total Investments managed outside Pool Governance**	**1,618,377**	**37.7**
3,864,883	**100.0**	**Net investment assets**	**4,287,700**	**100.0**

All the above companies are registered in the United Kingdom.

* River and Mercantile Group were acquired by Schroders Investment Management in January 2022.

The following investments represent more than 5% of the net assets of the scheme.

Security	31-Mar-21 £000	% of total fund %	31-Mar-22 £000	% of total fund %
LF ACCESS Global Stock - Dodge and Cox	486,668	12.5	**562,493**	**13.1**
LF ACCESS Global Equity - J O Hambro	509,482	13.1	**539,385**	**12.5**
LF ACCESS Global Equity - Longview	362,023	9.3	**414,792**	**9.6**
UBS Asset Management Life USA Equity Tracker Hedged	209,901	5.4		
	1,568,074		**1,516,670**	

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

- **Futures**

There were no outstanding exchange traded future contracts at 31 March 2022 or 31 March 2021.

- **Forward foreign currency**

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2022 or 31 March 2021. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

- **Options**

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-21	Notional Holdings	31-Mar-22
Assets				**£000**		**£000**
Overseas equity purchased	One to three months	Put	158,099	2,152	132,999	11,100
Total assets				**2,152**		**11,100**
Liabilities						
Overseas equity written	One to three months	Put	-203,057	-285	-170,996	-1,485
Overseas equity written	One to three months	Call	-154,327	-47,875	-132,999	-925
Total liabilities				-48,160		-2,410
Net purchased/written options				**-46,008**		**8,690**

16. FAIR VALUE

Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

Level 1 Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Level 2 Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

Level 3 Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16(a). Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	**£000**	**£000**	**£000**	**£000**
Bonds	210,791	0	0	**210,791**
Equities	0	0	0	**0**
Pooled Investments	13,089	2,932,854	0	**2,945,943**
Pooled Property Investments	0	0	301,637	**301,637**
Private Equity/Infrastructure	0	0	799,689	**799,689**
Derivatives	0	11,100	0	**11,100**
Net Investment Assets	**223,880**	**2,943,954**	**1,101,326**	**4,269,160**

Value at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	**£000**	**£000**	**£000**	**£000**
Bonds	156,972	0	0	**156,972**
Equities	0	0	0	**0**
Pooled Investments	16,106	2,745,689	0	**2,761,795**
Pooled Property Investments	0	0	237,190	**237,190**
Private Equity/Infrastructure	0	0	688,334	**688,334**
Derivatives	0	2,152	0	**2,152**
Net Investment Assets	**173,078**	**2,747,841**	**925,524**	**3,846,443**

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Unquoted bonds and unit trusts	Level 2	Average of broker prices	Evaluated price feeds.	Not required
Pooled Property	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Asset Type	Market Value as at 31-Mar-22 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Private Equity	799,689	23.7	989,215	610,163
Property	301,637	15.0	346,883	256,391
Total Assets	**1,101,326**		**1,336,098**	**866,554**

16(b). Reconciliation of fair value measurements within Level 3

Period 2021-22	Market value 01-Apr-21 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31-Mar-22 £000
Pooled property investments	237,190	0	45,014	-21,426	44,918	-4,059	301,637
Private equity and infrastructure - equity	76,000	0	0	0	9,000	0	85,000
Private equity and infrastructure - other	612,334	0	75,093	-87,909	75,309	39,862	714,689
Total	**925,524**	**0**	**120,107**	**-109,335**	**129,227**	**35,803**	**1,101,326**

17. FINANCIAL INSTRUMENTS

17(a). Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-21 Fair value through profit and loss £000	31-Mar-21 Loans and receivables £000	31-Mar-21 Financial Liabilities £000		31-Mar-22 Fair value through profit and loss £000	31-Mar-22 Loans and receivables £000	31-Mar-22 Financial Liabilities £000
			Financial assets			
156,972	0	0	Bonds	210,791	0	0
2,761,795	0	0	Pooled investments	2,945,943	0	0
237,190	0	0	Pooled property investments	301,637	0	0
688,334	0	0	Private equity/Infrastructure	799,689	0	0
2,152	0	0	Derivative contracts	11,100	0	0
0	90,818	0	Cash	0	27,877	0
0	247	0	Other investment balances	0	1,135	0
0	15,214	0	Debtors	0	15,778	0
3,846,443	**106,279**	**0**		**4,269,160**	**44,790**	**0**
			Financial liabilities			
0	0	-48,160	Derivative contracts	0	0	-2,410
0	0	0	Other investment balances	0	0	-35
0	0	-6,327	Creditors	0	0	-6,073
0	**0**	**-54,487**		**0**	**0**	**-8,518**
3,846,443	**106,279**	**-54,487**		**4,269,160**	**44,790**	**-8,518**
		3,898,235	**Total**			**4,305,432**

17(b). Net Gains and Losses on Financial Instruments

31-Mar-21 £000		31-Mar-22 £000
	Financial assets:	
918,956	Fair value through profit and loss	423,999
5	Loans and receivables	1,360
0	Financial liabilities measured at amortised cost	
	Financial liabilities:	
-82,590	Fair value through profit and loss	-42,005
-59	Loans and receivables	-358
0	Financial liabilities measured at amortised cost	
836,312	**Total gains/(losses)**	**382,996**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund’s primary long-term risk is that the Fund’s assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

Responsibility for the Fund’s Risk Management Strategy rests with the Pension Fund Committee. Risk Management policies are established to identify and analyse the risks faced by the Council’s pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. Risk Strategy Statement

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund’s investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund’s investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2021-22 reporting period.

The sensitivities are consistent with the assumptions contained in the investment adviser’s most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	19.9
Global equities	20.1
Index linked bonds	9.2
Pooled fixed interest bonds	8.1
Multi asset credit	7.4
Property	15.0
Alternatives	23.7
Cash and other investment balances	0.3

Had the market price of the fund investments increased / decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

31-Mar-22 Asset Type	Value as at 31-Mar-22 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**91,264**	19.9	109,426	73,102
Global equities	**2,385,060**	20.1	2,864,457	1,905,663
Index linked bonds	**210,791**	9.2	230,184	191,398
Pooled fixed interest bonds	**65,700**	8.1	71,022	60,378
Multi asset credit	**390,830**	7.4	419,751	361,909
Property	**301,637**	15.0	346,883	256,391
Alternatives	**799,689**	23.7	989,215	610,163
Cash and other investment balances	**42,729**	0.3	42,857	42,601
Total Assets	**4,287,700**		**5,073,795**	**3,501,605**

31-Mar-21 Asset Type	Value as at 31-Mar-21 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**85,032**	16.7	99,232	70,832
Overseas equities	**2,230,221**	17.4	2,618,279	1,842,163
Global pooled equities	**156,972**	7.5	168,745	145,199
Index linked bonds	**64,500**	8.0	69,660	59,340
Pooled fixed interest bonds	**365,936**	6.2	388,624	343,248
Property	**237,190**	14.2	270,871	203,509
Alternatives	**688,334**	23.5	850,092	526,576
Cash and Other investment balances	**36,698**	0.3	36,808	36,588
Total Assets	**3,864,883**		**4,502,311**	**3,227,455**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund’s interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund’s risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund’s direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out to the right. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund’s risk management strategy. The Fund’s investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-21	Asset Type	31-Mar-22
£000		£000
66,353	Cash and cash equivalents	19,850
24,465	Cash balances	8,027
156,972	Index-linked securities	210,791
430,436	Fixed interest securities	456,530
678,226	**Total**	**695,198**

Exposure to interest rate risk	Asset values 31-Mar-22 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**19,850**	19,850	19,850
Cash balances	**8,027**	8,027	8,027
Index-linked securities	**210,791**	212,899	208,683
Fixed interest securities	**456,530**	461,095	451,965
Total change in assets available	**695,198**	**701,871**	**688,525**

Exposure to interest rate risk	Asset values 31-Mar-21 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**66,353**	66,353	66,353
Cash balances	**24,465**	24,465	24,465
Index-linked securities	**156,972**	158,542	155,402
Fixed interest securities	**430,436**	434,740	426,132
Total change in assets available	**678,226**	**684,100**	**672,352**

Exposure to interest rate risk	Interest receivable 2021-22 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**29**	29	29
Index-linked securities	**780**	788	772
Fixed interest securities	**1,950**	1,970	1,931
Total	**2,759**	**2,787**	**2,732**

Exposure to interest rate risk	Interest receivable 2020-21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**519**	524	514
Index-linked securities	**526**	531	521
Fixed interest securities	**1,989**	2,009	1,969
Total	**3,034**	**3,064**	**3,004**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The Fund partially hedges its currency exposures on equity investments by transferring into currency hedged share classes of its passive equity funds.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.5% (the 1 year expected standard deviation). A 9.5% (31 March 2021: 9.8%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-22 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	**536,846**	0	536,846	536,846
Overseas equities - Unhedged	**1,848,214**	175,580	2,023,794	1,672,634
Overseas fixed income	**456,530**	43,370	499,900	413,160
Overseas cash fund	**23**	2	25	21
Total	**2,841,613**	**218,952**	**3,060,565**	**2,622,661**

Assets exposed to currency risk	Value at 31-Mar-21 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	**548,469**	0	548,469	548,469
Overseas equities - Unhedged	**1,681,752**	164,812	1,846,564	1,516,940
Overseas fixed income	**430,436**	42,183	472,619	388,253
Overseas cash fund	**1,046**	103	1,149	943
Total	**2,661,703**	**207,098**	**2,868,801**	**2,454,605**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. In essence the Fund’s entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £27.8m (31 March 2021: £90.8m). This was held with the following institutions:-

	Rating	31-Mar-21 £000	31-Mar-22 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	23,878	1,249
Bank deposit account			
Barclays Bank	A	421	34
NatWest Bank	A	24,044	7,993
Bank current accounts			
Northern Trust custody accounts	A-1+	42,475	18,601
Total		**90,818**	**27,877**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £1,101m, which represented 25.7% of the total Fund assets (31 March 2021: £925.5m, which represented 23.9% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2022 are due within one year.

d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The 2022 valuation report is now available and this is reflected below and in Note 6 and Note 20.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) at that time. At the 2022 actuarial valuation, the Fund was assessed as 125% funded, this corresponded to a surplus of £860m.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %		Secondary Rate	
1 April 2020 to 31 March 2023	2020-2021	2021-2022	2022-2023
18.4%	£19,425,000	£19,061,000	£19,082,000
1 April 2023 to 31 March 2026	2023-2024	2024-2025	2025-2026
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The Primary rate above for 2023-2026 includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-16	31-Mar-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.1%	2.3%	2.7%
Pay increases	2.4%*	2.8%**	3.2%

**CPI plus 0.3%*
***2% until March 2020 followed by CPI plus 0.5%*

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members Male	Active and Deferred Members Female	Current Pensioners Male	Current Pensioners Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0
2022 valuation	22.8	26.1	22.0	24.6

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.
Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

a) Retirements in ill health - Allowance has been made for ill-health retirements before Normal Pension Age.
b) Withdrawals - Allowance has been made for withdrawals from service.
c) Retirements in normal health - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
d) Death in Service - Allowance has been made for death in service.
e) Promotional salary increases - Allowance has been made for promotional salary increases.
f) Family details - A varying proportion of members are assumed to have a dependent at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than the member and the dependant of a female member is assumed to be 3 years older than the member.
g) Commutation - 25% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008). A 51% assumption has been used for the 2022 valuation.
h) 50:50 option - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-21 £m		31-Mar-22 £m
-5,774	Present value of promised retirement benefits	-5,536
3,898	Fair value of scheme assets (bid value)	4,305
-1,876	**Net liability**	**-1,231**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. The liabilities at 31st March 2022 are based on the results of the 2022 funding valuation using the Fund's membership as at 31st March 2022.

Assumptions used:

31-Mar-21 % p.a.	Assumption	31-Mar-22 % p.a.
2.85%	Inflation/pension increase rate assumption	3.20%
3.35%	Salary increase rate	3.70%
2.00%	Discount rate	2.70%

21. CURRENT ASSETS

31-Mar-21 £000		31-Mar-22 £000
	Debtors:	
2,326	Contributions Due – Members	2,602
6,079	Contributions Due – Employers	8,081
6,809	Sundry Receivables	5,095
15,214		**15,778**
24,465	Cash Balances	8,027
39,679		**23,805**

22. CURRENT LIABILITIES

31-Mar-21 £000		31-Mar-22 £000
4,823	Sundry Payables	5,146
1,504	Benefits Payable	927
6,327		**6,073**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-21 £000		31-Mar-22 £000
8,173	Prudential	8,629
403	Utmost	320
8,576		**8,949**

24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-21 £000		31-Mar-22 £000
3,539	Unfunded pensions	3,418
3,539		**3,418**

25. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.5m (2020-21: £2.0m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £29.1m, excluding Local Education Authority schools, to the Fund in 2021-22 (2020-21: £21.5m). At 31 March 2022 there was £7.2m (31 March 2021: £7.1m) due to the Fund by the Council.

Governance

The following members of the Pension Fund Committee declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme: Councillor Alan Sharp, Councillor Joshua Schumann, Councillor Ian Gardener, Matthew Pink and John Walker.

The following member is on the Board of an employer body in the Pension Fund: Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non Executive Director to the Board of CCB. The Fund is represented by an Officer of the Pension Fund, for which CCB paid £52,250 during the year (2021-22 £52,250) to the Pension Fund(See Note 5).

ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government's LGPS reform agenda. On 31 March 2022, the Cambridgeshire Fund had invested £1,709.7m in sub-funds of the ACCESS Authorised Contractual Scheme and £959.7m in the UBS passive arrangement resulting in £2,669.4m of assets under pool management representing 62.3% of the Fund's assets.

During 2021/22 a total of £95.2k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£78.4k in 2020/21).

25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by West Northamptonshire Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Cambridgeshire Section 151 Officer, who is Treasurer to the Fund. The Section 151 Officer is remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2022 totalled £304.3m (31 March 2021: £303.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

Eleven admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

GLOSSARY

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

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

ACS Authorised Contractual Scheme.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

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

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

COMMUTATION Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONVERTIBLE Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

COUPON The regular payment made on bonds.

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

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

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

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

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

FINANCIAL INSTRUMENTS Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FIXED INTEREST CORPORATE BOND A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

FTSE-100 INDEX The main UK index used to represent the approximate price movements of the top 100 shares.

FTSE ALL SHARE INDEX Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

FUTURES Instruments which give a buyer the right to purchase a commodity at a future date.

GMP Guaranteed Minimum Pension.

HEDGE To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

IDRP Internal Dispute Resolution Procedures

INDEX LINKED Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

ISC Investments Sub-Committee.

LOAN STOCK Unsecured bonds, which may be convertible if they have a warrant attached.

LPB Local Pension Board.

OFFER PRICE The price at which market makers will sell stock.

ORDINARY SHARES ‘A’ Shares which confer full voting and dividend rights to the Owner.

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

PFC Pension Fund Committee.

PLSA Pensions and Lifetime Savings Association.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

RAG Red, Amber and Green.

RELATED PARTY A person or an organisation which has influence over another person or organisation.
SAB Scheme Advisory Board.

SCHEDULED BODIES Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TRANSFER VALUES Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

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

UNFUNDED Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

UNIT TRUST An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

WARRANTS Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

APPENDIX 1 - ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2021-22*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

The following accounting concepts have been applied in preparing the accounts:

- Relevance: the information in the accounts is useful in assessing the Council's performance;
- Reliability: the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors;
- Comparability: a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed. Application of the terms of the Code ensure comparability;
- Understandability: the Council endeavours to ensure that an interested reader can understand the accounts;
- Materiality: in using its professional judgment, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts;
- Going Concern: the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future;

- Primacy of Legislative Requirements: the Council operates through the power of statute. Where legislation prescribes the treatment of transactions, then the accounting concepts outlined above may not be applied.

THE DE MINIMIS THRESHOLD

The de minimis threshold level has been set at £4,000 (this threshold has been used as a guideline across the Council, where it is sensible to refer to a de minimis in making accrual adjustments).

ACCRUALS OF INCOME AND EXPENDITURE

Revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the year in which goods and services are received and, similarly, income is credited in the year to which it relates, regardless of the timing of cash payments or receipts. For example, accrued income is recognised where an amount is earned in the current accounting year, but is expected to be received in a subsequent year. Deferred income reflects any income which has been received in advance of it being earned, and is recognised when it can be matched with the year in which it is earned.

Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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 receivables is written down and a charge made to revenue for the income that might not be collected.

PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment category refers to assets that are expected to be used for more than one year. All expenditure on the acquisition, creation, or enhancement of property, plant and equipment has been capitalised on an accruals basis, subject to the following accounting policies.

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £10,000,or revalued to less than £10,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement.

The assets of local authority-maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the Council, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, page 225). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Infrastructure Asset Additions and De-recognitions

Capital expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised.

Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced / replaced (including any associated depreciation). As such, the value derecognised will be determined by the cost of the replacement asset, and assuming that the component replaced was at end of its useful life.

Measurement

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, all assets are revalued via desktop valuation in year two and by indexation in years three to five. The index applied to each asset is based on changes in Building Cost Information Service (BCIS) forecasts and land value estimations since the previous year.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 30 November during the year in question, however as part of the carrying value assessment exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation to 31 March.

Infrastructure has been included in the Balance Sheet at depreciated historical cost, (whilst Community Assets, and Assets Under Construction have been included at historical cost). The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use.

However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. The value of Infrastructure assets within the accounts also includes a lump sum removal in 1998 when Peterborough City Council was formed, becoming independent of Cambridgeshire County Council. This lump sum is not broken down on an asset-by-asset basis, in line with how Infrastructure Assets are recorded in the Asset Register. Subsequent additions and enhancements are recorded at cost on a project-by-project basis rather than by asset, therefore additions and enhancements may relate to a number of individual Infrastructure assets.

Upon recognition in the balance sheet, full impairment of Non-PFI Vehicles, Plant, Furniture and Equipment assets is also accounted for.

Land and Building assets and PFI-related Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. Operational Property, Plant and Equipment is valued using Existing Use Value whereas specialised assets are valued using Depreciated Replacement Cost. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts, which is a type of Existing Use Valuation. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal.

Assets held at current or fair value are split into land and building components, with the building element further subdivided in order to be depreciated over appropriate estimated useful lives. The four building components used are Roof, Structure, Machinery and Equipment, and Externals.

Capitalisation of Borrowing Costs

Borrowing costs that are:

- Directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
- When it is probable that they will result in future economic benefits or service potential to the Council; and
- The costs can be measured reliably;

Costs shall be capitalised and form part of the cost of that non-current asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready (over a year) for its intended use or sale.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

The commencement of capitalisation begins when all of the following conditions are met:

- Expenditure in respect of the asset is incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.
- Borrowing funding for a project is expected to total over £500k before the asset is operational

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Capitalisation will be suspended during periods in which active development is interrupted.

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding depreciation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention (except for Infrastructure), where depreciation is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.

Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:

- Buildings (including Surplus Assets) – 5 to 60 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- PFI schemes only: Vehicles, Plant, Furniture and Equipment– 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)
- Infrastructure – 40 years.

Upon a review of asset lives, depreciation is calculated over the revised remaining useful life of the asset.

FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as Surplus Assets and Investment Properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

CAPITAL ACCOUNTING

Two reserve accounts are required in the Council's Balance Sheet for capital accounting adjustments:

- **The Revaluation Reserve** - this contains the balance of the surpluses or deficits arising on the periodic revaluation of property, plant and equipment. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;

- **The Capital Adjustment Account** - this absorbs the timing differences arising from the different arrangements for accounting for the consumption of property, plant and equipment 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, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Any receipts from disposals, net of costs of disposal, are also credited to the Comprehensive Income and Expenditure Statement. Costs associated with disposal can be funded from the associated capital receipt as long as they are less than 4% of the value of the proceeds. Any disposal costs over this level must therefore be funded by revenue.

The gain, or loss, on the disposal of a long-term asset is the amount by which the disposal proceeds, net of disposals costs, are more (gain) or less (loss) than the balance sheet value of the long-term asset. Any previous revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account on disposal.

Income that is not reserved for the repayment of external loans, and has not been applied in financing capital expenditure, is shown on the Balance Sheet within the Usable Capital Receipts Reserve.

CHARGES TO REVENUE FOR LONG-TERM ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding long-term assets during the year:

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 215);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page 230). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure is incurred during the year that may be treated as capital under statutory provisions but does not result in the creation of a long-term asset (e.g. expenditure on academy schools). Instead of capitalising this expenditure, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources, those resources are also credited to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of expenditure by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

HERITAGE ASSETS

Heritage Assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets. The Council holds these assets principally for future generations because of their contribution to knowledge, the environment and the culture of the County.

The Code requires authorities to recognise heritage assets where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining this information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Council's Balance Sheet but commentary is included in the notes to the financial statements. Where valuations are made, an appropriate method is adopted; this may include, for example, insurance valuations of museum collections.

The Council’s different classes of Heritage Assets are treated as follows:

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;
- Archaeological artefacts and ecofacts – not recognised on balance sheet due to a lack of reliable valuation information;
- Civic regalia – not recognised on balance sheet due to being considered as immaterial and a lack of reliable valuation information.

The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress which is included in the Group Accounts comprises, the acquisition cost of land, construction costs and professional fees (capitalised borrowing costs are removed as they are intragroup). Net realisable value is the estimated selling price in the ordinary course of business, less applicable, variable selling expenses. If cost falls below net realisable value then an applicable impairment provision is recognised in the Comprehensive Income and Expenditure 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 (e.g. Public Works Loan Board borrowing). Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain, or loss, over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.
Any gains and losses that arise on the derecognition of an asset are credited or debited to the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

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

GOVERNMENT GRANTS

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. There are two types of stipulations; conditions and restrictions:

- Conditions are stipulations that specify that the future economic benefits or service potential embodied in transferred assets are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor;
- Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation). However, if recovery of the grant / donation is only possible indirectly by, for instance, legal action for breach of contract or withholding payment of other monies due separately to the Council without a right to have done so, then this will amount to a restriction rather than a condition.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement and 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 and Contributions Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

COUNCIL TAX AND NON-DOMESTIC RATES

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax and non-domestic rates (NDR). This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:

- the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax and NDR receivables in its Balance Sheet as well as an appropriate share of the Collection Fund surplus / deficit for the year within its Comprehensive Income and Expenditure Statement.

LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to support the delivery of those services passes to the PFI contractor in return for an annual fee. The Code of Practice requires that PFI contracts are accounted for in a manner consistent with the adoption of *International Financial Reporting Interpretations Committee (IFRIC) 12: Service Concession Arrangements* as contained in the Government's *Financial Reporting Manual (FreM),* and means that assets and liabilities are recognised on the Council's Balance Sheet where the Council substantially controls the use of the assets involved and any associated residual interest. As the Council is deemed to control the services that are provided under its PFI schemes and, as the ownership of the property, plant, and equipment will pass to the Council at the end of the contract, the Council carries the long-term assets used under the contracts on the Balance Sheet in line with the requirements of *IFRIC 12*.

The original recognition of these assets is at historical cost the year after they are made available for use, and when revalued, at current value in existing use. This is matched by the recognition of an equivalent liability for amounts due to the scheme operator to pay for the capital investment. PFI assets are revalued and depreciated in the same way as any other property, plant, and equipment owned by the Council.

Annual unitary charges that are paid by the Council to PFI operators can be analysed into five elements:

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Prudent provision for PFI schemes is made within the annual unitary charge, based on the part of the unitary payment that goes to write down the matching liability for assets recognised on the Balance Sheet.

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, Note 36)

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.

Council as Lessee

Finance leases

Property, plant and equipment assets held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value 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 and initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability and contingent rents are charged as expenses in the years in which they are incurred. Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment and a finance charge.

As with other long-term assets, 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 towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy on page 227). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Council as Lessor

Finance leases

Where the Council grants a finance lease on a property or an item of plant or equipment, 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 (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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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), matched by a lease (long-term debtor) asset 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 (together with any premiums received)), and finance income. However, in the case of academy schools the Council does not recognise a long-term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

Any 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 a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, it 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 the 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 value of disposals is not a charge against council tax as the cost of non-current 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, or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are 'adjusting' and 'non-adjusting' events, both favourable and unfavourable, that occur between the end of the reporting year and the date when the Statement of Accounts is authorised for issue.

An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the financial statements.

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

BENEFITS PAYABLE DURING EMPLOYMENT

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

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or 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

The majority of employees of the Council are members of two separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE);
- **The Local Government Pension Scheme**, administered by Cambridgeshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

The Teachers' Pension Scheme

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme as follows:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – market value
  - unquoted securities – professional estimate
  - unitised securities – closing bid price
  - property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement components.

Service Cost elements comprise:

- **Current service cost**: the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
- **Net interest on the net defined benefit liability** (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

Re-measurements comprise:

- **Expected return on plan assets**: excluding amounts included in the net interest on the net defined benefit liability. These are 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 other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- **Contributions paid to the pension fund**: cash paid as employer contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost 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. The Council's reserves are categorised as follows:

- **Usable reserves** - those reserves that contain resources that a council can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;

- **Unusable reserves** – those that a council is not able to utilise to provide services. This category of reserves includes:
  - Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains / losses are realised as the assets are disposed of.
  - Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A change in policy was introduced in 2015-16 for the proportion of the provision that relates to the historic debt liability that had accumulated to 31 March 2010. Up until 2014-15 this element of the provision was calculated using Option 1 of the Guidance, the "Regulatory Method", which based the calculation on 4% of the Capital Financing Requirement, amended for Adjustment A, on a reducing balance basis. From 2015-16 this debt liability will be provided for using an annuity calculation methodology, allowable under the DCLG Guidance.

Capital expenditure incurred from 2010-11 onwards will be subject to Minimum Revenue Provision (MRP) in the year after the asset has become operational. MRP will be provided for under Option 3 of the DCLG Guidance and will be based on the estimated useful life of the assets, using the equal annual instalment method.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.
The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation and any under or over provisions that are identified for previous years will be taken into consideration in the calculation of the current year's provisions and adjusted accordingly.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events that may or may not be incurred by the Council depending on the outcome of one or more uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the financial statements.

VALUE ADDED TAX (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and / or joint ventures. The Council has involvement with a number of entities, and where the interests are not material the nature and value of the relationship is disclosed within the single entity accounts. In line with the code requirements on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than group accounts.

GLOSSARY

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

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

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

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

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

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

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

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

Cambridgeshire County Council

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

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

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over 15-20 years.

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

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

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

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

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

Glossary of Terms

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

CASH EQUIVALENTS
Assets which are readily convertible into cash.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

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

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

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

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

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

DEPRECIATED REPLACEMENT COST

This is a basis of valuation which provides an estimate of the market value for the land the building sits on, plus the current gross replacement cost of the building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

DEPRECIATION

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

DERIVATIVE

A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DIVIDEND

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

EARMARKED RESERVE

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

EQUITIES

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

EVENTS AFTER THE BALANCE SHEET DATE

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

FINANCIAL INSTRUMENTS

Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The "balancing" entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called "Financial Instruments Adjustment Account". This reserve is not a usable reserve.

FINANCIAL CONDUCT AUTHORITY (FCA)

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

FORCE MAJEURE

A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

GENERAL FUND

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

IMPAIRMENT

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

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

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

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

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

INVENTORIES
Goods bought but have not been used.

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

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

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

NET BOOK VALUE
The depreciated value of an asset.

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT
A non-current asset or long-term asset item which cannot easily be converted into cash.

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

PRUDENTIAL BORROWING
Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

PUBLIC WORKS LOAN BOARD
A government body set up specifically to lend money to local authorities.

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

RELATED PARTY
A person or an organisation which has influence over another person or organisation.

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

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

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources. Can also be described as capital expenditure charged against the general fund balance.

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

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

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

TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNIT TRUST
An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

ANNUAL GOVERNANCE STATEMENT

Contents of the Annual Governance Statement 2021-22

Annual Governance Statement

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework Delivering Good Governance in Local Government.

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture, and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The Governance Framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Annual Report and Statement of Accounts.

1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

Leadership and Decision-Making:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;

- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;

- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution sets out: Schemes of Delegation to members and officers; Financial and Contract Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. There are arrangements in place to ensure these are reviewed regularly;

- Embedded Codes of Conduct which define the standards of behaviour for members and employees;

- An Engagement and Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

Monitoring the Achievement of Objectives:

- The mechanisms of the Council's performance management system, and financial and performance reporting, provide oversight of the Council's performance in achieving objectives;

- The Council's risk management system provides local and corporate oversight of how risk is identified and controlled to support the achievement of objectives;

Oversight and Scrutiny:

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;

- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

- There are embedded arrangements for whistleblowing under the Public Interest Disclosure Act, as well as routes for raising other types of concerns including safeguarding, information security and employment concerns. There are policies in place for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.

- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

i. Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.

ii. The Head of Internal Audit and Risk Management's annual reports.

iii. Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Cambridgeshire Corporate Leadership Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.

- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.

- The annual report and opinion on the internal control environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2021-22 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.

- The completion of Self-Assurance Statements by directors.

- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. The Council's Committee structure and Constitution underwent some significant changes following the local elections in May 2021. This report reflects the structures in place during the 2021-22 financial year and highlights any subsequent changes.

Additionally, it should be noted that the Council's operations in 2021-22 and onwards have continued to be impacted by the ongoing Covid-19 pandemic. The effects of this are highlighted where relevant throughout the report and in summary at Section 3, below.

Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Corporate Strategy and Budget. 2021-22 represented the first year of the new political term and there is a commitment to further develop the Council's corporate strategy during the coming months.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning, and which has the full involvement of senior administration councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Corporate Strategy and Budget was approved by Full Council in February 2022. The budget adopted has reset the medium-term financial strategy to reflect the spending position as a result of the pandemic.

Performance Management

The Council refreshed and updated its approach to performance management in 2021-22, with a new Performance Management Framework approved by Strategy and Resources Committee on 27th January 2022 and by Full Council on 8th February 2022 as part of the business planning process.

As a result of this update, Strategy and Resources Committee will have central oversight of the framework and will monitor a strategic set of Key Performance Indicators (KPIs) consisting of 15-25 indicators, while Policy and Service Committees will monitor their own KPIs relating to their areas of oversight. The report taken to Strategy and Resources Committee and Full Council included draft strategic KPIs; both the Policy and Service Committee KPIs and the strategic KPIs will be developed and formally approved following approval of the new Framework.

Due to the development of the new Performance Management framework and the development of a new strategic framework, reporting on the former suite of KPIs was paused during the 2021-22 year, with Policy & Service Committees receiving an update on progress with the new framework and a prompt to consider the development of their own KPIs in late 2021. The Business Intelligence service has been supporting directorate management teams to carry out workshops to develop KPIs with Policy and Service Committees during Q1 2022-23.

The Council produces an Integrated Finance Monitoring Report (IFMR) for the Corporate Leadership Team on a monthly basis. IMFRs are also presented regularly to meetings of the Strategy and Resources Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees. In 2021-22, IFMRs have included a section specifically highlighting the financial impact associated with managing the implications of the coronavirus pandemic, including loss of income.

Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's five cross-party Policy and Service committees and the Strategy and Resources Committee, which has an overarching and co-ordinating role and has authority for oversight, operation and review of Corporate Services.

At the start of the financial year, the process allowed for executive decisions to be reviewed following request by at least 9 full members of the General Purposes Committee, which must be made within 3 days of a decision being published. Following changes to the Council's Constitution agreed at the meeting of Full Council on 18th May 2021, the process now allows for executive decisions to be reviewed following request by at least 9 full members of the Strategy and Resources Committee, within the same timescales.

The Audit and Accounts Committee

In line with its Terms of Reference, the Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit and Accounts Committee.

The Audit and Accounts Committee met regularly during 2021-22, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, Section 151 Officer, Director of Public Health, Director of Children's Services and Director of Adult Social Services were effectively fulfilled during 2021-22 and up to the date of this report.

Cambridgeshire County Council's Chief Executive undertakes the statutory role of the Head of Paid Service. At the start of 2021–22, the Council had a shared Chief Executive with Peterborough City Council. Following the announcement of the existing Chief Executive's intention to retire from the joint role, Cambridgeshire's Staffing and Appeals Committee resolved to seek a separate Chief Executive for Cambridgeshire County Council in August 2021. The new Chief Executive was appointed by Full Council on 9th November 2021 and took up post on 21 February 2022.

After the former Chief Executive retired in December 2021, the Council's Director of Business Improvement and Development temporarily acted up to the role of Chief Executive until the new Chief Executive took up the post on 21 February 2022, covering the duties of the Head of Paid Service on an interim basis.

Management

The Council's Corporate Leadership Team and Service Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

Where directors identified key issues or particular areas of governance as part of their self-assurance statements, this feedback has been incorporated into the conclusions at Section 3 of this report.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided his annual report to the Audit Committee on 31 May 2022. The report outlined the key findings of the audit work undertaken during 2021-22, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2021-22, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Head of Internal Audit that:

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2021-22 financial year, a satisfactory assurance opinion has been reached.

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2021-22 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the Internal Audit Annual Report, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*

- *The reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems;*

- *The continuing, positive, organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*

- *Contract management remains a key area of focus for Cambridgeshire County Council and this has been reflected in the Internal Audit plan and work completed throughout the year. A number of initiatives to improve contract management in key areas are due for implementation during the 22/23 financial year.*

The opinion of satisfactory has reduced from last year's 'strong satisfactory' because of a current known issue with payroll control accounts. This is covered in more detail in sections 4.2.3 – 5 of the Internal Audit Annual Report.

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

i.Neil Hunter, Head of Internal Audit and Risk Management

The detail to support this assessment was provided in the Annual Internal Audit Report as presented to the Audit and Accounts Committee on 31 May 2022.

<u>Review of Internal Audit</u>

The Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013. The Internal Audit service has operated in compliance with PSIAS throughout the year, with a self-assessment exercise in April 2021 confirming compliance with the latest set of standards, issued in April 2017.

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the most recent external review of the Cambridgeshire team took place in the 2017/18 financial year, at the time of writing an external review against PSIAS requirements is currently underway and is being undertaken by Peterborough City Council's Head of Internal Audit.

<u>External Audit</u>

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

In November 2021, the Audit & Accounts Committee received a report on the Value for Money opinion from the previous external auditor relating to the financial year 2017/18. The auditor issued a modified opinion on an "except for" basis. In responding to their report, the Council accepted findings relating to procurement breaches in 2015 and 2016 and reported to the Committee on progress made since the findings were first identified, as well as highlighting this to Full Council.

Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures, which were completely revised and updated in 2021-22. In February 2022, a comprehensive review of the Corporate Risk Register was undertaken by CLT, and the refreshed Corporate Risk Register was presented to Strategy and Resources Committee on 29th March 2022.

During 2021-22, Cambridgeshire's Corporate Leadership Team and Directorate Management Teams formally considered risk on a regular basis.

The Internal Audit Plan for 2022-23 presented to the Audit and Accounts Committee in March 2022 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2022-23.

3. CONCLUSIONS AND APPROVAL

3.1 KEY GOVERNANCE DEVELOPMENTS IN 2021-22

Where key governance processes or developments in the 2021-22 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

i. Local Government Association Corporate Peer Challenge:

In July 2021, Cambridgeshire County Council undertook a Local Government Association (LGA) Corporate Peer Challenge. The LGA Peer Challenge report presented 11 key recommendations and 5 further shared services recommendations to help the Council improve and develop, and these were adopted into an Action Plan that was presented to Strategy and Resources Committee in September 2021.

The Peer Challenge Team revisited the Council in March 2022 to carry out the LGA's 'Check-in' process, which is a follow up visit to review progress against the agreed action plan and impact of the Peer Challenge visit and report. A letter reporting on the outcomes of the visit was shared with Strategy and Resources Committee.

ii. Ofsted Focused Visit:

Ofsted launched the Inspection of Local Authority Children's Services (ILACS) framework in 2017, setting out a framework of inspections/focused visits which assess the effectiveness of local authority services and arrangements to help and protect children, the experiences and progress of children in care wherever they live, including those children who return home, the arrangements for permanence for children who are looked after, including adoption, and the experiences and progress of care leavers. Under the inspection framework, a local authority will receive either a judgement inspection or a focused visit once a year, based on a three-year cycle.

Cambridgeshire County Council last received a judgement inspection in January 2019, followed by a focused visit in March 2020 and another in April 2022. The report from the April focused visit is available on the Ofsted website with full details of their findings. A report on the content of the most recent ILACS focused visit was shared with Members in April, and briefings provided to the Chair and Vice Chair of the Children and Young People's Committee. As this was a focused visit rather than an inspection, there is no requirement for publication of a full action plan; however, the service is planning to develop a new workforce strategy in response to the findings, and an update on this along with a general progress update will be presented to Children and Young People Committee in due course.

iii. Adult Social Care Peer Challenge:

Each year, Adult Social Care Directors submit a self-assessment to the regional Association for Directors of Adult Social Services (ADASS) as part of the sector-led improvement cycle.

The self-assessment requires the Council to identify strengths and risks against 25 themes providing a commentary for each.

This process was delayed due to the coronavirus pandemic, and Cambridgeshire County Council submitted a self-assessment on 31 March 2021 which covered the previous 18 months. Subsequent to this, the Council met with a former Director, Andrew Cozens, for an external challenge session in August 2021 and took part in a regional challenge event in September 2021. The outcomes of the self-assessment process were reported to the Adults and Health Committee in December 2021, along with the 'Local Account' 2019 – 21, the Council's annual public statement about its adult social care services.

This report to Committee highlighted key achievements of the service and its response to the Covid-19 pandemic, along with key challenges and areas for improvement, and a summary of the service's action plan in response to the self-assessment.

iv. This Land

In January 2022, the Strategy and Resources Committee received a detailed report from an external reviewer of This Land, Cambridgeshire County Council's wholly owned property development company. Their report has enhanced the wider understanding of the company, and therefore the Council's risk exposure, and is leading to improved controls. Recommendations made by the external reviewer and accepted by the company were reported to the January meeting of Strategy & Resources Committee. Updates on progress with implementing these actions were brought to the March 2022 Strategy and Resources Committee and will continue to be brought to the Committee in the new financial year.

3.2 SIGNIFICANT GOVERNANCE ISSUES

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. Significant governance issues are defined as those which:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

On the 25 February 2022, the outcome of a Code of Conduct investigation report into the conduct of a former senior councillor in relation to issues concerning Manor Farm in Girton was reported to the Constitution and Ethics Committee. The governance issues involved attracted significant public attention and publicity. The Constitution and Ethics Committee resolved to refer the investigation findings to the Strategy and Resources Committee with a request that it establishes a programme of action to resolve any underlying or corporate issues arising from the report's findings in order to prevent a recurrence.

3.3 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and uncertain and constrained levels of Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's Corporate Strategy and Budget is reflective of these pressures, and is subject to annual review, to ensure the major financial pressures facing the Council can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is also noted that the invasion of Ukraine by Russia, along with Government sanctions on Russian goods and services, and ongoing counter pandemic measures elsewhere in the world, is creating further unprecedented impacts on both the supply and cost of key construction materials, and inflationary pressures on labour and fuel. Advanced ordering of major equipment has sheltered the Council from exposure for some costs; however, not all exposure to price volatility can be managed in advance, in particular with SME (small to medium size enterprise) suppliers. This is an emerging governance consideration for the Council as a whole, and particularly for services managing capital projects.

The Council is also mindful that further developments in the ongoing coronavirus pandemic may result in future significant governance impacts on the authority. The Covid-19 pandemic has represented a very significant challenge for the authority in 2021/22 and to date, impacting on the authority's financial position and its ability to deliver planned objectives, as well as creating additional new responsibilities for the Council.

Moving forward, the newly formed UK Health Security Agency (UKHSA) is expected to take the lead on all Health Protection functions, including those related to Covid-19. It is important to note that due to the ongoing national discussions regarding future of health protection, new Integrated Care System (ICS) structures, staffing reductions in UKHSA and low vaccination uptake in parts of the population, there remain significant ongoing local risks associated with the pandemic.

The Contain Outbreak Management Fund (COMF) was provided to local authorities to provide financial support for local test, trace and contain activity during the pandemic, and Cambridgeshire County Council has retained some of this funding for 2022/23, which we can use to mitigate these risks. However, recruitment and retention of staff is likely to be difficult for these posts, which are of approximately 6-9 months duration. There are ongoing governance risks regarding the COMF budget which the organisation will need to manage, ensuring that COMF spend is in line with the conditions of the grant.

It is noted that the UK Government's Covid-19 Public Inquiry will be taking place in 2022/23, examining the UK's preparedness and response to the Covid-19 pandemic, and to learn lessons for the future. The Council is likely to be asked to give evidence to the enquiry.

Following the recommendations of the LGA Corporate Peer Challenge, the Chief Executive has agreed with all Group Leaders to commission the Centre for Governance and Scrutiny to review the effectiveness of the current committee system and scrutiny arrangements. As set out in the Peer Review Action Plan, the Council has committed to take action to recalibrate member roles, behaviours and conduct and Member training, development and ongoing support has been arranged with support from the LGA. Progress with this action continues to be updated and monitored at meetings of Strategy and Resources Committee.

In May 2019, Cambridgeshire County Council declared a Climate and Environment Emergency, and in 2022 launched its new Climate and Environment Strategy. Investment in 'Net Zero' initiatives to reduce carbon emissions by the Council and Cambridgeshire communities takes the Council into newer and more novel areas of activity. Learning from this, the Council needs to ensure there are appropriate procedures and sufficient internal expertise to effectively manage contractual arrangements.

The Council's accumulated deficit for Dedicated Schools Grant (DSG) High Needs Block will grow to £40m by 1 April 2022. Currently, Cambridgeshire benefits from the statutory override for DSG High Needs Block deficits, recording these as a negative reserve. These regulations are currently due to expire in 2023. At the budget meeting in February 2022 the Council created an earmarked reserve to offset the growth in the deficit during the 2021-22 financial year, however there is risk that further sums will need to be found by the Council to address the substantial accumulated deficit. The Council has been invited to participate in the 'safety valve' programme by the Department for Education, which aims to aid authorities with high percentage DSG deficits to reform their management of high needs systems. This will continue to be a significant area of focus for the authority.

Following the Council's withdrawal from the former LGSS partnership arrangements, Service Level Agreements and service plans are in the process of being developed and agreed for services moving to the Lead Authority model, with Finance Operations plans being agreed by the Lead Authority Board in April 2022. An issue with payroll control account reconciliations has been identified, and as Payroll is delivered under the Lead Authority model, the Council is working with partner authorities to develop an action plan to establish the extent of the issue and agree actions to rectify this.

More generally, following the LGA Peer Review, Cambridgeshire County Council has worked to review all its shared services arrangements, and the new Chief Executives in Cambridgeshire and Peterborough City Council have been discussing shared service models and priorities with their respective Administrations and corporate leadership teams. As a consequence of this review, the future shared services arrangements between the two authorities will be redefined and organisational structural changes to Cambridgeshire's senior leadership arrangements will be consulted upon and implemented during the 2022-23 financial year.

3.4 CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the S151 / Chief Financial Officer in Local Government.

The authority's Code of Corporate Governance has undergone its annual review and is due to be published on Cambridgeshire County Council's public-facing website. This document demonstrates in detail that the Council's corporate governance and policy framework is aligned to the principles outlined by CIPFA/SOLACE in their *Delivering Good Governance in Local Government Framework*, and gives more information on how governance arrangements are monitored and reviewed.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.

3.5 LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Lucy Nethsingha

Councillor Lucy Nethsingha
Leader of the Council

Dr Stephen S. Moir
Chief Executive

Graham Wilson

Councillor Graham Wilson
Chair of the Audit and Accounts Committee

July 2022 and 29 April 2024