Agenda Item No:	6	Fenland CAMBRIDGESHIRE
Committee:	Corporate Governance Committee	
Date:	27 September 2017	
Report Title:	Statement of Accounts 2016/17	

Cover sheet:

1 Purpose / Summary

The purpose of this report is for members to review and approve the final Statement of Accounts for 2016/17.

2 Key issues

- The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and based on International Financial Reporting Standards (IFRS).
- The draft Statement of Accounts was considered by this Committee on 13 July 2017 and has subsequently been the subject of external audit by EY.
- Members will receive the external auditors report on the accounts - 'Audit Results Report' - ISA260, prior to this item.
- The Accounts include all agreed changes with the auditor, the majority being either of a presentational nature or amendments to disclosure notes.
- There has been no change to the General Fund Balance, or to any of the Council's usable reserves, as a result of the audit changes.
- The Statement of Accounts requires approval by this Committee by 30 September 2017, following receipt of the external auditors report.
- The final Statement of Accounts is attached for review.
- Following approval by this Committee, and subject to EY having completed all outstanding work, it is anticipated that they will 'sign off' the accounts before 30 September 2017.
- Following the auditors' signature, the accounts will be published on our website and notice will be given by advertisement in the local papers and on our website, that the audit has been concluded.

3 Recommendations

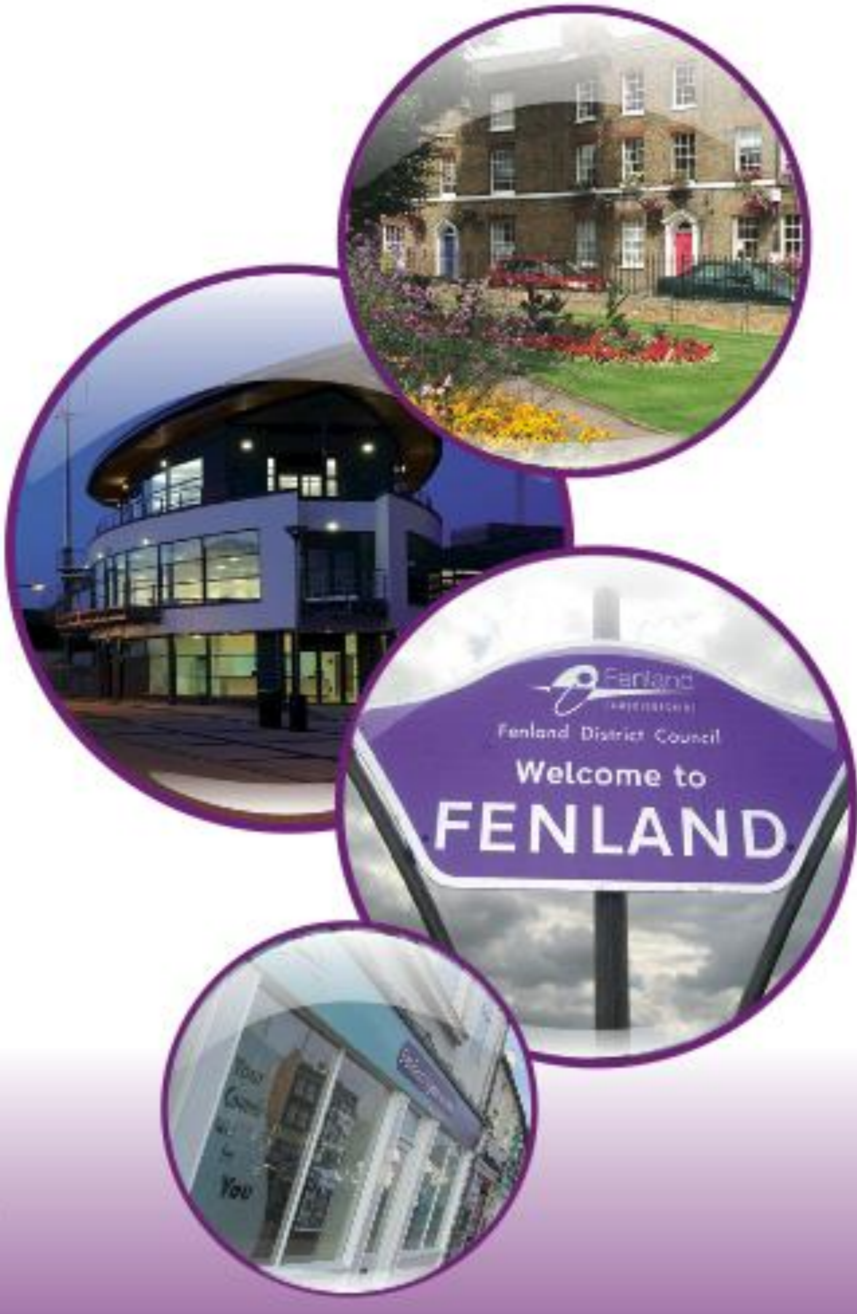
- It is recommended that the Statement of Accounts for the financial year ended 31 March 2017 be approved.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Seaton, Portfolio Holder, Finance
Report Originator(s)	Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Brendan Arnold, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Closure of accounts working papers 2016/17

Fenland District Council

100% people driven

STATEMENT OF ACCOUNTS 2016/17



CUSTOMER SERVICE EXCELLENCE

INVESTORS IN PEOPLE

FENLAND DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2016/17

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NARRATIVE REPORT

1. INTRODUCTION

Our mission: to improve the quality of life for people in Fenland
This report explains how we've worked with residents, partners and community groups over the past year to achieve the priorities in our Business Plan. Our priorities focus on our communities, our environment and our economy.

Efficiencies
The Council continues to be challenged by significant budget cuts, which we have managed through our proactive Comprehensive Spending Review (CSR) programme. This programme has enabled members to determine which savings projects to pursue and has enabled us to deliver a balanced budget for 2016/17. Since 2010, we have saved £9million and from now until 2021 we are required to identify an additional £1.54 million of savings. This has led to difficult decisions, which included introducing our Garden Waste subscription service and agreeing to procure a management partner for our four leisure centres.

We continue to challenge ourselves to meet quality standards, which include Customer Service Excellence (CSE) and Investors in People (IIP) reaccreditations to ensure we continue to prioritise our people centred approach. We have also been recognised at the Local Government Chronicle (LGC) Awards through being shortlisted in the Efficiency category.

We continue to make public sector resources go further. We work in partnership with other authorities to deliver our Revenues and Benefits (ARP), Planning (Peterborough City Council), Building Control (CNC), Internal Audit (Kings Lynn and West Norfolk) and Payroll (Bedford Borough Council) services. This has enabled us to deliver savings and maintain quality services. This will also support the Council to be self-sufficient in the future.

A changing landscape
We must plan for our growing future population and tackle the pockets of deprivation that still exist in our district.

Becoming part of the Cambridgeshire and Peterborough Combined Authority will create new and exciting opportunities, with over £270million of investment devolved to the local level. This will give local people greater control over important issues such as housing, infrastructure, transport and employment. We have also been successful at securing external funding including;

- £224,000 from Homes and Community Agency to progress the Wisbech Garden Town proposal to deliver up to 12,000 additional homes.

- £736,000 Homelessness funding across Cambridgeshire and Peterborough.

This is in addition to £2.1 million funding secured for Wisbech High Street.

Looking to the future
Despite the challenges we face, this Statement shows just some of the work we do to make the district a happy, safe and prosperous place to live. We will continue to use our resources to the best of our ability to improve the quality of life for local people.

2. ABOUT FENLAND

Fenland has strong community spirit and pride in its heritage. Over 99,000 people live in the district, with 75% living in the four market towns of Chatteris, March, Whittlesey and Wisbech. 29 villages are located in its beautiful rural landscape which attracts visitors from around the country.

A growing population

With the lowest house prices in Cambridgeshire and plentiful availability of commercial land, Fenland is an attractive place to live and do business in. As such, our population is growing quickly and by 2031 it is predicted that there will be over 113,000 people living here. We have plans in place (including our Local Plan and Economic Development Strategy) to harness this growth to bring further prosperity. These documents explain how we will build new homes, increase employment and improve transport links and increase leisure opportunities so that residents have the infrastructure they need to live happy and healthy lives.

Challenges

Fenland does face some challenges. It is the 80th (out of 326) most deprived area in the country, and has become more so since 2010 (IMD 2015). We recognise the challenges that deprivation brings, particularly around education and health. By lobbying for extra funding and working together with partners, we continue to deliver projects that improve the quality of life for local people. These are explained in more detail in our Annual Report, which is available to download at www.fenland.gov.uk/annualreport.

Our future population

Our population is also getting older, specifically 25% of our residents are pensioners, and this is expected to increase to 41% by 2024. It is important that residents are able to maintain an independent life and are able to connect with others. Many older residents face challenges in accessing services. We know that 1 in 7 pensioners in Fenland live alone; many in isolated areas with no transport. We will continue to work with the Cambridgeshire and Peterborough Clinical Commissioning Group, Cambridgeshire County Council and voluntary groups to help older people stay connected.

3. ABOUT FENLAND DISTRICT COUNCIL

Fenland District Council (FDC) has 515 staff (including casual staff) and is an innovative and high performing council, with a distinctive organisational culture. Our '100% people driven,' 'can-do' and 'one-team' approach enables members, officers and partners to effectively work together; delivering high-quality services for the community.

The Council must focus on making the necessary efficiency savings required to deliver a balanced budget. However, we also continue to deliver high quality services on a day to day basis through the committed team we have at the Council. Every year, we collect 3.4 million bins, clean 11,290 miles of streets and 210 million square metres of town centres and open spaces, gave housing advice to 828 different customers, answer 78,044 telephone enquiries, support 110,475 customer visits to our Hubs and Shops, support more than 900,000 customer visits to help people stay fit at our leisure centres, determine 1,400 planning and related applications and 320 planning enforcement service requests, complete nearly 500 food hygiene inspections, and enable 75,386 people to vote at elections.

The work of the Council has been recognised through many national awards. We have most recently been shortlisted for a second time in the Efficiency category at the Local Government Chronicle (LGC) Awards 2017 in recognition of our approach to the savings challenges facing the Council. We also won 2 Municipal Journal (MJ) Awards in 2014 for successfully tackling migrant exploitation and poor housing conditions with partners through Operation Pheasant.

Fenland District Council Comprehensive Spending Review

In July 2015, the Council voted to establish a Comprehensive Spending Review (CSR) in light of the £3.1 million savings the Council would have to find between 2016 and 2020. Since then, Members have looked at everything the Council does and assessed the options available to make savings and generate income to ensure we meet our savings targets and remain a sustainable organisation in to the future. This process was supported by a successful District wide public consultation process with surveys delivered to all households to support Members in making their decisions.

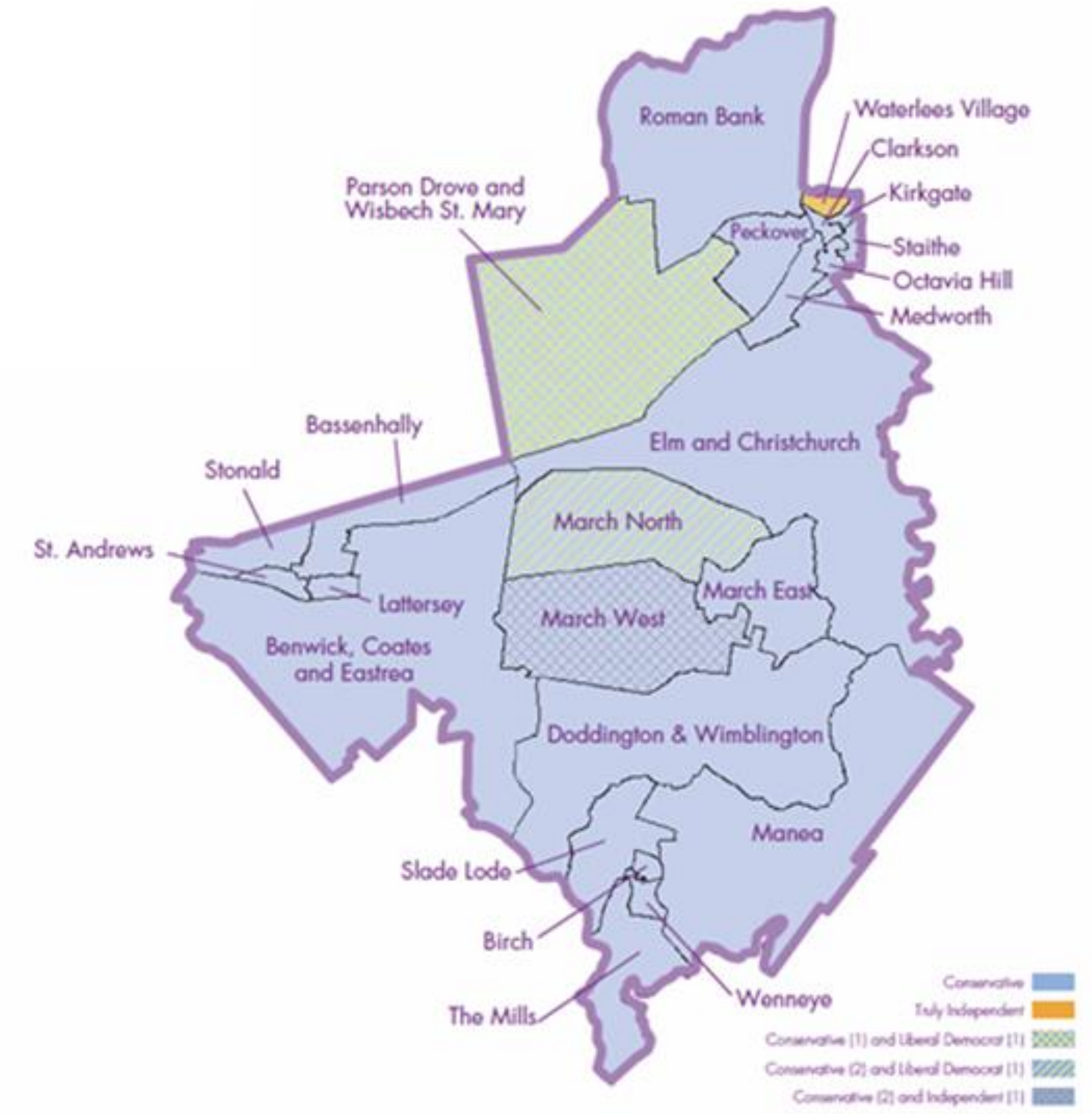
Members confirmed their priorities in January 2016. Officers are now in various stages of preparing information to be assessed and subsequently implemented following appropriate consultation. Many CSR projects are reflected in the Council's Business Plan and the Council's Efficiency Plan. The Council has delivered all of the savings required in 2016/17 and now has £1.54m to deliver by the end of 2021. The Council's Efficiency Plan can be found here: http://fenland.gov.uk/Efficiency-Plan

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

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

We operate a Leader and Cabinet style of governance. This involves a Cabinet of 9 Councillors, each with specific responsibilities.

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



4. OUR PRIORITIES

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

To deliver this mission we have designed a series of priorities to address the social, environmental and economic needs for residents to live happy, fulfilled lives.

To make sure the Council has a clear focus on its three corporate priorities, we have explained what areas we will focus on through a series of sub-priorities and actions. Our cross cutting theme of ‘Quality Organisation’ also explains more about how the Council will be run effectively, through sound governance arrangements.

The Council's priorities and sub-priorities for 2016-17 are summarised in the table below.

Summary of Corporate Priorities 2016/17:

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

Highlights of Achievements in 2016/17:

Communities	• We continue to tackle unacceptable living conditions. 80 Houses in Multiple Occupation (HMOs) were inspected and 125 complaints investigated from tenants in private rented homes. This resulted in serious health and safety failings being put right including lack of smoke alarms, unsafe electrics and gas safety. • Our Housing Options team also offered valuable advice to 1,580 other households, with a 100% satisfaction rate of those asked. Last year our Housing team prevented 106 families from becoming homeless. Funding from Government will support the Homelessness 'Trailblazer' project across Cambridgeshire and Peterborough. This aims to prevent homelessness, support landlords to maintain tenancies, increase the supply of private rented accommodation for homeless households and to improve online debt advice. • Over 90 people were supported to get back into work at Community House. Through funding from the Department of Work and Pensions, a referral service has supported residents to improve employability skills, access training, voluntary work and move from welfare into employment. The scheme will be continued over the next year with funding support from Clarion Housing. • A record 450 people attended our Golden Age events. Designed for residents over 60, attendees benefitted from practical advice from a range of partner organisations. This included benefit advice from our 'Fenland Ferret', electric blanket checks and chair-based exercise sessions. There was a 100% satisfaction rate with the events. • There were over 904,000 visits to our New Vision Fitness Centres, with an 86% satisfaction rate with the service. Exercise classes attracted 63,140 attendees and our soft play areas have been visited 18,897 times by children. The introduction of a new mobile phone app, alongside the

	redesign of the New Vision Fitness website, has contributed to the increased popularity of the centres. Customers can now easily set up a membership and book or cancel classes at the click of a button. The RE:FIT scheme is also making facilities more energy efficient. • The Active Fenland project had a successful first year. Designed to get people active, regardless of age or ability, 3,500 people attended sessions delivered by the scheme, including walking football, badminton, table tennis and indoor bowls. Funded by Sport England, the project will continue over the next year to encourage more people to get involved. • We adapted 149 homes, helping vulnerable and disabled residents to stay living independently by reducing the risk of slips and falls. 125 households were supported by the Healthy Homes and Cambridgeshire Handy Person scheme. By undertaking small home improvements (such as installing grab rails and moving furniture), residents were helped to leave hospital earlier and stay in their own home. • The Action on Energy project supported poorly-insulated and low income properties to keep warm. Over two years, 220 energy saving measures have been installed in Fenland homes, equating to £670,000 of financial benefit. Fenland also joined a new ‘collective switching’ energy scheme. This gives local households the opportunity to save up to £300 by switching energy providers. • Wisbech was one of 33 areas accepted nationally to participate in the Phase 2 Home Office Local Alcohol Action Area programme. This aims to tackle street drinking, reduce inappropriate alcohol sales and prevent related anti-social behaviour. Working closely with existing community forums such as PubWatch and ShopWatch, progress has been made in identifying street drinkers and making referrals to support services. There has also been an alcohol abuse awareness campaign in the wider community.
Environment	• We made over 3.4million bin collections across the district, in all weathers. Our customers recycled just over half of their household waste, with 8,800 tonnes of dry recycling collected (including paper, plastic, glass and cans) from blue bins. • Over 18,000 households have signed up to our new Garden Waste (Brown Bin) subscription service, which launched in April 2017. Although initially funded by a one-off government grant, our old service was costing £700,000 a year to provide. Introducing a charge is making the service self-funding in times of austerity, with the residents who want to use the service funding it. • Our Cleansing and Rapid Response team continue to provide an excellent seven day street sweeping and litter picking service across Fenland, responding to over 1,600 requests. Last year they cleaned over 11,290 miles of streets and 210 million square metres of town centres and open spaces. 98% of inspected areas met our cleansing standards first time. • Our Street Scene team spent 4,110 hours on patrol. Working closely with the public, community groups, businesses, town and parish councils and the police, the team tackled a variety of environmental and anti-social behaviour problems, including dog-fouling, littering and illegal parking. Introducing new

Dog Control orders, supported by public consultation, will allow the Council to continue to tackle dog fouling by issuing Fixed Penalty Notices.

- ISS World continues to deliver our Grounds Maintenance contract; keeping our open spaces tidy whilst delivering savings of over £140,000 a year. The dedication of local volunteers and partners in our parks was recognised by the Anglia in Bloom competition. Chatteris, Parson Drove, Benwick, Whittlesey, March and Wisbech General Cemeteries all won awards, with Wisbech winning Gold again for the ninth year running.

- We worked with 20 groups of volunteers including Street Pride, Friends of groups and In Bloom to make Fenland a cleaner, greener and safer place to live; supporting 212 events. Many groups took part in the Keep Britain Tidy Campaign (Clean for the Queen) by holding litter picks, also supported by a number of schools. Chatteris in Bloom made a train planter in memory of a member who sadly passed away in 2014. This received high praise, with over 70 people attending the unveiling of the planter.

- Working with community groups, we continue to support popular local events including the Chatteris Mid-Summer Festival, March St. George's Fayre, Whittlesey Festival and Wisbech Christmas Market. A record number of stall bookings were received for the Christmas Markets, with 96% of surveyed attendees planning on returning in future years. The development of the 'Supporting Communities to Celebrate' guide has also provided valuable information to local event organisers.

- We were successful in our second-stage Townscape bid which saw the Heritage Lottery Fund award £2.1million to the Wisbech High Street Project. This will restore the buildings and facades on the street, raise the profile of the town's heritage and educate local people about its history. Detailed plans are underway to restore Number 24 (which is currently derelict and known as "the gap"). A website is being developed to keep local people informed about the project's progress.

- Our CCTV service recorded over 2,300 incidents of crime and disorder, providing valuable evidence to help the police to tackle violence, theft and anti-social behaviour. The business community also made a valuable contribution to crime reduction by sharing intelligence through forums such as PubWatch and the online SIRCS (Secure Incident Reporting and Community Engagement) System, with over 520 reports made.

- The Fenland Community Safety Partnership aims to reduce crime, anti-social behaviour and the fear of crime. Working with Cambridgeshire County Council, Cambridgeshire Constabulary, the Fire Service, NHS and the Probation Service, a variety of projects are being undertaken to tackle emerging issues. These have included 'Safety Zone' events, with nearly 1,000 primary school students being advised on how to stay safe in dangerous situations. A multi-lingual campaign was launched to raise awareness of the signs and encourage the reporting of Modern Day Slavery and exploitation. A Community Contact Point was also trialled in 27 locations including supermarkets, village halls and libraries. This enabled the police and Council to engage with over 1,000 members of the public. A survey was undertaken in which 96% of respondents said they either felt safe or very safe where they lived.

	• The Diverse Communities Forum helps us to ensure that strategies, policies and practices are designed with the varied needs of the community in mind. A key focus on celebrating Black History, Faith, Lesbian Gay Bisexual Transgender and Traveller History months highlighted not only the value of partnership work being undertaken to build a cohesive society, but also its positive impact on reducing local tensions within the community.
Economy	• Last year we helped nearly 1,350 businesses pay lower rates (and in some cases no rates at all) by awarding Small Business Rate relief. • Our business premises (including the South Fens Business Centre in Chatteris and the Boathouse in Wisbech) continue to provide popular 'start up' facilities and excellent conference facilities, with total occupancy at 88% across the business premises estate. South Fens Enterprise Park reached 100% occupation in September 2016, the first time since completion. 92% of customers surveyed were very satisfied with our business centres and conference facilities. • The £50million Nene Waterfront development in Wisbech continues to bring land back into use. 24 social houses on Lot 3 (the former gas works site) have welcomed new tenants, with development advancing on the remaining 46 dwellings. Development options are now being considered for the remaining 2 Lots. • In March, Sajid Javid (Secretary of State for Communities and Local Government) visited Wisbech to sign the official Devolution agreement for Cambridgeshire and Peterborough. A 'Combined Authority' has been set up to manage the £270million investment that has been devolved to a local level. Part of the investment will be used to tackle important housing, infrastructure, transport and employment issues in Fenland and could help develop a Wisbech Garden Town. • Our planning service received more planning applications in 2016/17 than in the previous two years, demonstrating improved economic confidence in the district. Nearly 550 homes have been given planning permission to be built on the larger sites in the district, which will deliver much needed homes to both existing residents and people wanting to move to the area. • The Hereward Community Rail Partnership awarded £395,000 of funding for a detailed engineering study surrounding proposed improvements to Whittlesea and Manea railway stations. This would see a lengthening of platforms and a footbridge installed at Manea. The announcement of the continued Greater Anglia franchise will also bring station facility improvements, along with an hourly Ipswich to Peterborough service stopping at Manea, March and Whittlesea from December 2019. • Nearly 17,000 journeys were taken through our Dial-A-Ride scheme. This offers residents who have a Cambridgeshire Bus Pass and a membership to the scheme, free travel with a local community transport organisation. A new pilot bus service in Wisbech has also been set up, providing access to Tesco and businesses on Cromwell Road. This replaces the Tesco 66 service that was withdrawn by Stagecoach last year. The route was developed using consultation feedback and will be delivered by local community transport provider FACT.

Quality Organisation	• We collected over £48.6million of Council Tax and £25.3million in Business Rates income. This plays a major part in funding key services we provide to the community, as well as the share we pass on to the Police, Fire Service, County and Parish Councils. • We continue to promote Council news and services on our social media channels. They are significantly increasing in popularity, with a 48% increase of followers on Facebook (to 1,070) and 10% on Twitter (to 7,600) in a year. Our accounts are proving to be a useful platform to signpost residents to partner services and local community events. • We were reaccredited with Customer Service Excellence (CSE) and Investors in People (IiP) awards last year. CSE is a Government standard that recognises the high quality, customer focused services we provide. IiP evaluates how well we support our workforce and give them the skills they need. Both our accreditations have been held for a number of years. • We helped 71,000 customers with queries regarding our services at our two Community Hubs and two Fenland @ your service shops. As well as taking payments for Council services, we helped customers with their questions about waste collection, housing, Council Tax and Benefits. 95% of customers were satisfied with the service they received. • Well managed businesses make Fenland a safer place to live, work and socialise. Around 800 licensing applications were processed last year to permit activities such as taxi driving, selling alcohol and processing scrap metal. Other teams within the Council, such as Environmental Health, are now trained to undertake licensing activities, which supports continuity of service during particularly busy times, improving customer service. • We were reaccredited with CSE and IIP. Customer Service Excellence is a standard from Government that recognises the high-quality, customer-focused services we provide. The Investors in People accreditation recognises how we effectively support and train our workforce. • Our Environmental Health team visited more than 400 businesses to provide guidance, support and assessment for regulatory compliance. The outcome of the work has seen more than 450, 5 star food hygiene rated businesses in the district, and over 400 food business inspections have taken place. • Our elections team work hard to allow everyone to exercise their right to vote. They ran 2 by-elections last year, the Police and Crime Commissioner Election and the EU Referendum. We continue to support electors to be added to the register with just over 7000 registration applications processed last year. 10,700 properties were also visited as part of the Annual Canvass process to make sure their details were up to date.

5. FINANCIAL PERFORMANCE

The 2016/17 Revenue Budget Process

The Revenue Budget for 2016/17 was prepared against a background of meeting the Council's Corporate Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. A balanced budget was produced that included a deliverable level of savings and income and provided for investment in key services. This was achieved through a budget strategy that resulted in:

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

The budget included savings or additional income of £0.968 million. This compared to £1.005 million included within the 2015/16 budget. The majority of the savings were based on organisational efficiency changes across a number of service areas together with shared service and partnership arrangements with other local authorities. In addition, higher forecast business rates growth has enabled the Council to retain more business rates, not only in 2016/17 but over the medium term forecasts.

Council approved a net revenue budget for 2016/17 of £12.942 million at its meeting on 25 February 2016. Council also approved the Fees and Charges proposals that support delivery of the revenue budget, the Treasury Management Strategy and Capital Programme and funding for 2016/17- 2019/20.

Council Tax

Following the withdrawal of the Council Tax Freeze Grant by Government, Council policy for 2016/17 was to increase Council Tax by 1.98%, to stay within the Government's referendum limit of 2%. The Cambridgeshire Police and Crime Commissioner increased their element of Council Tax by 0.99% and the Fire Authority increased theirs by 1.96%. Cambridgeshire County Council froze their general Council Tax level but increased the Adult Social Care element, resulting in an overall increase of 2%. The average increase in Parish Councils was 19.46% for 2016/17.

The calculation of the 2016/17 Tax-Base, resulted in an increase of 567 Band D equivalent properties (as shown in the table below). This produced a net increase in Council Tax income of £142k for Fenland District Council. The increase in Band D equivalent properties reflects both an increase in properties built and a reduction in the number of people claiming Council Tax Support.

The comparison of Council Tax levels and Tax Base from 2014/15 to 2016/17 is shown below:

Band D Council Tax by authority	2014/15 £	2015/16 £	2016/17 £
Fenland District Council	245.61	245.61	250.47
Cambs. County Council	1,121.94	1,144.26	1,167.12
Cambs. Police & Crime Commissioner	181.35	181.35	183.15
Cambs. Fire Authority	64.26	64.26	65.52
	1,613.16	**1,635.48**	**1,666.26**
Parish Councils (Average)	32.30	35.76	42.72
Total average Band D Council Tax	**1,645.46**	**1,671.24**	**1,708.98**
Total average increase	28.38 (1.76%)	25.78 (1.57%)	37.74 (2.26%)
Council Tax Base			
Number of Band D equivalent dwellings	27,011	27,368	27,935

Revenue Spending

For 2016/17, the Council agreed an original budget of net spending on services of £12.94m. This sum was to be financed in part by Government Grant together with the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for 2016/17 was set at £250.47 for Band D properties. The precept on the Collection Fund (£6.997m) is the amount due to the Council net of Parish Precepts (£1.193m). The following table summarises the final figures (outturn) with those budgeted for the year.

	Original Budget £000	Revised Budget £000	Actual £000	Actual to Revised Difference £000
General Fund Spending	12,942	12,981	12,167	(814)
Contribution to Reserves	0	0	1,400	1,400
Total	12,942	12,981	13,567	586
Financed by:				
Business Rates Funding	4,089	4,128	4,742	614
Revenue Support Grant	1,699	1,699	1,699	0
CT Collection Fund Surplus	157	157	157	0
Precept on Collection Fund	6,997	6,997	6,997	0
Total	12,942	12,981	13,595	614
Net Surplus	0	0	28	28
General Fund Balance at 31 March 2016	2,394	2,394	2,422	28

The Council under spent by £27,994 on the revised budget due principally to the following reasons:

			£000
	•	Additional contribution/transfer to reserves	1,400
	•	Net impact of Housing Benefit Subsidy and additional bad debt provision	59
Off-set by	•	Lower premises costs	(208)
	•	Lower supplies, & services costs	(323)
	•	Lower transport costs	(54)
	•	Additional income from fees and charges	(46)
	•	Additional retained business rates income	(614)
	•	Additional other Income	(242)
			(28)

Budget Monitoring

Revenue and capital budget monitoring information is reported to Cabinet Portfolio Holder's regularly throughout the year and to Cabinet at specific times during the year. Key Budgetary Control information is also provided to all Members, highlighting the significant risk areas. In addition, treasury management performance is reported to Cabinet and Council with reviews undertaken by the Corporate Governance Committee.

Capital Spending and Funding

In 2016/17 the Council spent £2.551m on capital projects, which included Revenue Expenditure Funded from Capital under Statute (grants and loans to private sector home owners and support for community development), compared with the original budget of £1.613m and revised budget of £3.427m.

The main items of capital expenditure in the year were grant aid support to private sector home owners and support for community development (£0.862m), investment in vehicles (£0.393m) and Leisure Centre (£0.826m).

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

Capital receipts of £0.337m (net of costs) were realised in 2016/17 (2015/16: £0.566m).

Revenue Balances

Set out in notes 26 and 27 to the core financial statements are the Council's reserves. As at 31 March 2017, the Council's uncommitted General Fund Balance stood at £2.422 million, and the total Earmarked Reserves balance stood at £5.854 million.

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

Provisions and Contingencies

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision of £1.041m (Fenland's share) has been recognised for the best estimate of the amount that businesses are potentially due a refund at 31 March 2017.

In addition, a provision of £1.9m has been made for the likely exit payment required by the Pilots' National Pension Fund (see Pension Liabilities below for further details).

Treasury Management

The Local Government Act 2003 gave councils the freedom to determine how much they borrow for investment in new capital projects, subject to a regulation that such borrowing complies with the 'Prudential Code for Capital Finance in Local Authorities'. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators and Treasury Management Strategy as part of the budget process for 2016/17. One finance lease commenced, no new borrowing was undertaken in 2016/17 and all investment activities were undertaken in accordance with the approved strategy.

The total loan debt was £7.8 million at the year-end, unchanged from the previous year. Short-Term Investments (ie. between 3-12 months) at the year-end amounted to £18.5 million (£14.5 million at 31st March 2016).

Pension Liabilities

(i) The Local Government Pension Scheme

At 31 March 2017, the Council's share of the assets and liabilities of the Cambridgeshire LGPS show an estimated net liability of £55.049m. This liability has no impact on the level of the Council's available reserves.

Following the actuarial valuation as at 31 March 2013, the employer's contribution was set as a combination of a percentage of salary plus a lump sum. For the period 2014/15 – 2016/17 the rate has been set at 17% together with lump sum payments of £385,000 in 2014/15, £592,000 in 2015/16 and £817,000 in 2016/17. Following the latest actuarial valuation as at 31 March 2016, the employer's contribution rate for period 2017/18 – 2019/20 has been set at 17.4% together with lump sum payments of £785,000 in 2017/18, £825,000 in 2018/19 and £865,000 in 2019/20. Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is detailed at note 40 to the financial statements.

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

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

The Council has been informally notified by the Secretary to the PNPF that the likely exit payment will be of the order of £1.9 million. Consequently, the Council has made provision in the 2016/17 accounts for this amount. At the end of March 2017, the Council had £2.351 million set aside in the Pilots' National Pension Fund reserve to fund the PNPF liability. Further details can be found in Notes 27 and 40 to the financial statements.

Significant Transactions

The actuarial valuation of the Council's Local Government Pension Scheme liabilities and pension reserve shown on the Balance Sheet have increased by £4.552m during the year (from £50.497m at 31.03.16 to £55.049m at 31.03.17), mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to a reduction in the discount rate (used to discount the future cash flows of the fund) which increased the Council's share of fund liabilities, off-set by higher than expected returns on plan assets which increased the Council's share of fund assets. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 40 of the core financial statements.

As a result of the Council making full provision for the likely exit payment to the PNPF, the liability shown in the balance sheet at 31 March 2016 of £1.305 million (relating to the Council's share of the PNPF deficit following the last actuarial valuation at 31 December 2013) has been reduced to zero.

As a result of the Council's market review of its Property, Plant and Equipment assets, the Revaluation Reserve shown on the balance sheet has increased by £2.895m during the year. For specialised properties, where value is determined by Depreciated Replacement Cost, there have been a significant cost increase in building costs and changes in location factors.

All assets are re-valued at least every 5 years. All valuations were carried out externally by Wilks Head & Eve in accordance with the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuations is set out in the accounting policies, Note 1 of the financial statements. Further details are given in Notes 13 and 27 of the core financial statements.

6. MEDIUM TERM FINANCIAL STRATEGY 2017/18 – 2020/21

This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by maintaining several sources of fees and charges and potential revenue implications of strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding including the ongoing uncertainty in respect of changes to financing arrangements such as the proposal for 100% localisation of business rates and changes to the New Homes Bonus.

The Medium Term Financial Plan (MTFP) shows that the Council faces a continuing budget gap over the three years from April 2018. The following table summarises the position, showing a cumulative gap over the period to 2020/21 of £231,000, as presented to Council on 23rd February 2017.

		Forecast Illustrations and Subject to Change		
	Estimate 2017/18 £000	**Forecast 2018/19 £000**	**Forecast 2019/20 £000**	**Forecast 2020/21 £000**
Council Tax-base	*28,397*	*28,682*	*28,972*	*29,272*
Proposed Council Tax increase	1.98%			
Assumed Council Tax increase		1.98%	1.98%	1.98%
Resources (Income)				
Revenue Support Grant	925	444	0	0
Business Rates Baseline	3,457	3,568	3,695	3,824
	4,382	**4,012**	**3,695**	**3,824**
Council Tax	**7,253**	**7,471**	**7,696**	**7,930**
CT Collection Fund surplus	**141**			
BR Collection Fund deficit	**-101**			
Total Resources	**11,675**	**11,483**	**11,391**	**11,754**
Forecast Net Expenditure	**11,675**	**12,142**	**12,306**	**12,694**
Original Savings Target	*601*			
Savings achieved to date (included above)	*-601*			
Savings identified 2018/19		-659	-659	-659
Savings identified 2019/20			-50	-50
Forecast Expenditure after identified savings	**11,675**	**11,483**	**11,597**	**11,985**
Cumulative Funding Gap	**0**	**0**	**206**	**231**
Approved Efficiency Plan savings			*-206*	*-206*
Funding Gap – In Year (after Efficiency Plan savings)		**0**	**0**	**25**

At the time of the announcement of the 2016/17 Finance Settlement in February 2016, the government also announced multi-year (4 year) settlement figures (up to and including 2019/20), which it invited local authorities to accept upon publication of an Efficiency Plan. The offer covered the Revenue Support Grant (RSG), Transitional Grant and Rural Services Delivery Grant where appropriate. In addition, tariffs and top-ups (part of the Business Rates Retention system) for the period 2017/18 – 2019/20 would not be altered for reasons related to relative needs of local authorities and in the final year may be subject to the implementation of 100% Business Rates Retention.

This Council decided to accept the multi-year settlement offer (Cabinet 15 September 2016), published its' Efficiency Plan and submitted it to DCLG to meet the deadline of 14 October 2016. On 16 November 2016, DCLG formally notified the Council that it is now on the multi-year settlement and we can expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20. This results in RSG being withdrawn completely in 2019/20. Nationally, 97% of councils applied to opt for the multi-year settlement.

The Council's published Efficiency Plan details how the estimated savings over the period to 2019/20 would be achieved through a combination of the FDC Comprehensive Spending Review (FDC-CSR), additional resources from Council Tax (higher tax-base through dwelling growth and less Council Tax Support awarded) and Business Rates (higher receipts from growth and initiatives such as HM Treasury deal) together with targeted use of reserves and balances.The current Medium Term forecasts detailed above reinforce the Efficiency Plan objectives to achieve a break-even position over the period to 2019/20 with a small savings requirement in 2020/21.

Since 2013/14 the Council retains a proportion of business rates. This has provided an opportunity for the Council to mitigate in part the cost pressure of falling grant by achieving greater income. In addition, this Council is part of a pilot scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils, whereby the authorities will be able to keep 100% of business rates generated above forecast levels (previously shared 50/50 with Central Government). 2016/17 was the second year of this trial and generated additional income of £584k. A small benefit is expected in 2017/18 after which the future of the pilot scheme is unknown. The MTFP assumes that the trial will continue as originally agreed and forecast additional rates income has been included.

The Government has also confirmed changes to the methodology used for calculating New Homes Bonus grant payments that will see significant reductions to the amounts that Fenland will receive. Reductions ranging from £0.496 million in 2017/18 to £1.059 million in 2020/21 have been included in the MTFP.

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

The forecasts for the years 2018/19 – 2020/21 are particularly volatile and should be treated with caution. Illustrative future year funding figures have been provided for those years, however they are subject to the implementation of consultations and reforms, and therefore the figures could be better or worse than forecast.

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

At their meeting on 28 June 2017, the CPCA committed to a multi-million pound package of investment to help progress projects in Fenland. This includes a total of £6.5 million to fund feasibility studies over the next two years relating to the Wisbech Garden Town project as well as the next stage of the Wisbech Rail study. Further funding has been committed for business case developments for other infrastructure projects relating to the upgrading of the A47.

7. EXPLANATION OF THE FINANCIAL STATEMENTS

The Council's financial statements for the year 2016/17 are set out on pages 20 to 97. They consist of:

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

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

- the **Balance Sheet** - setting out the Council's financial position as at 31 March 2017;

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

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

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

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

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

In previous years the Net Cost of Services in the Comprehensive Income and Expenditure Statement has been presented in line with the Service Reporting Code of Practice (SERCOP).

The 2016/17 Code of Practice on Local Authority Accounting now requires Cost of Services to be analysed by the Portfolios used by the Council. The 2015/16 comparator figures have therefore been restated, but there is no change to the total Cost of Services as reported in the 2015/16 Statement of Accounts. In line with the Code the Council has also presented the new Expenditure and Funding Analysis and related notes. These also include comparative figures for 2015/16.

9. MATERIAL EVENTS AFTER THE REPORTING DATE

Pilots' National Pension Fund (PNPF)
Although the Council has made provision for the expected level of the exit payment from the PNPF (see notes 27 and 40 to the financial statements for further details), the formal notification of the amount is still awaited from the PNPF. It is not expected that this will have any material effect on the accounts.

Grenfell Tower Fire
The Council has carried out the required assessment on its' properties following the Grenfell Tower fire disaster. A formal return has been sent to Communities and Local Government confirming the Council has no housing tower blocks of six or more storeys. In addition, the cladding at the Council's leisure centres has been specifically reviewed with no fire issues or combustible insulation identified. Consequently, there is no impact on the accounts.

10. DATE THE STATEMENT OF ACCOUNTS WERE AUTHORISED FOR ISSUE

The Statement of Accounts was authorised for issue by the Corporate Director and Chief Finance Officer on 27 September 2017. This is the date up to which events after the Balance Sheet date have currently been considered.

11. FURTHER INFORMATION

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

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

12. CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the financial statements set out on pages 20 to 97 presents a true and fair view of the financial position of Fenland District Council at 31 March 2017 and its income and expenditure for the year then ended.

Signed: ………………………………………….

27 September 2017
Brendan Arnold CPFA
Corporate Director and Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director and Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

The Corporate Director and Chief Finance Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Local Authority Code.

The Corporate Director and Chief Finance Officer has also:

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

Signed: ………………………………………….

27 September 2017
Brendan Arnold CPFA
Corporate Director and Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

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

2015/16	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance at 31 March 2015	**2,886**	**3,605**	**1,831**	**78**	**8,400**	**(24,380)**	**(15,980)**
Movement in reserves during 2015/16							
Deficit on Provision of Services	(1,706)	0	0	0	(1,706)	0	(1,706)
Other Comprehensive Expenditure and Income	0	0	0	0	0	23,148	23,148
Total Comprehensive Expenditure and Income	**(1,706)**	**0**	**0**	**0**	**(1,706)**	**23,148**	**21,442**
Adjustments between accounting basis and funding basis under regulation (note 8)	3,004	0	(701)	(33)	2,270	(2,270)	0
Net Increase/(Decrease) before Transfers (to)/from Earmarked Reserves	**1,298**	**0**	**(701)**	**(33)**	**564**	**20,878**	**21,442**
Transfers (to)/from Earmarked Reserves (note 9)	(1,790)	1,790	**0**	0	0	0	0
Increase/(Decrease) in 2015/16	**(492)**	**1,790**	**(701)**	**(33)**	**564**	**20,878**	**21,442**
Balance at 31 March 2016 carried forward	**2,394**	**5,395**	**1,130**	**45**	**8,964**	**(3,502)**	**5,462**

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 (restated)				**2016/17**		
Gross Expenditure	Gross Income	Net Expenditure		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
2,234	(487)	1,747	Growth and Infrastructure	**1,535**	**(504)**	**1,031**
11,487	(5,439)	6,048	Housing, Environment, Leisure and Community	**11,986**	**(5,733)**	**6,253**
36,978	(33,533)	3,445	Planning, Resources and Customer Services	**35,691**	**(31,821)**	**3,870**
1,709	(481)	1,228	Policy and Governance	**1,573**	**(473)**	**1,100**
52,408	**(39,940)**	**12,468**	**Cost of Services**	**50,785**	**(38,531)**	**12,254**

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	£000	£000		**£000**	**£000**	**£000**
52,408	**(39,940)**	**12,468**	**Cost of Services**	**50,785**	**(38,531)**	**12,254**
2,409	0	2,409	Other operating expenditure (note 10)	**2,573**	**0**	**2,573**
6,504	(3,072)	3,432	Financing and investment income and expenditure (note 11)	**5,481**	**(2,461)**	**3,020**
0	(16,603)	(16,603)	Taxation and non-specific grant income (note 12)	**0**	**(16,979)**	**(16,979)**
61,321	**(59,615)**	**1,706**	**Deficit on Provision of Services (note 7)**	**58,839**	**(57,971)**	**868**
		(12,795)	(Surplus) or Deficit on revaluation of property, plant and equipment assets (note 27)			**(3,252)**
		(10,353)	Re-measurement of net defined benefit liability/(asset) (note 40)			**2,872**
		(23,148)	**Other Comprehensive Income and Expenditure**			**(380)**
		(21,442)	**Total Comprehensive Income and Expenditure**			**488**

BALANCE SHEET

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

31 March 2016 £000		Note	31 March 2017 £000
47,693	Property, Plant and Equipment	13	**50,968**
1,268	Investment Property	14	**1,381**
158	Intangible Assets	15	**122**
805	Long Term Debtors	16	**675**
49,924	**Long Term Assets**		**53,146**
14,518	Short Term Investments	17	**18,523**
71	Inventories	20	**64**
4,851	Short Term Debtors	21	**4,871**
4,497	Cash and Cash Equivalents	22	**3,149**
43	Assets held for sale		**77**
23,980	**Current Assets**		**26,684**
(36)	Short Term Borrowing		**(35)**
(242)	Short Term Finance Lease Liability	38	**(215)**
(5,984)	Short Term Creditors	23	**(6,937)**
(479)	Receipts in Advance	24	**(1,105)**
(1,328)	Provisions	25	**(3,000)**
(8,069)	**Current Liabilities**		**(11,292)**
(7,800)	Long Term Borrowing	19	**(7,800)**
(771)	Finance Lease Liability	38	**(715)**
(51,802)	Defined Benefit Pension Liability	40	**(55,049)**
(60,373)	**Long Term Liabilities**		**(63,564)**
5,462	**Net Assets**		**4,974**
8,964	Usable Reserves	26	**8,422**
(3,502)	Unusable Reserves	27	**(3,448)**
5,462	**Total Reserves**		**4,974**

The notes on page 27 to 97 form part of the financial statements.

Signed: ………………………………………… **Brendan Arnold** 27 September 2017

These financial statements replace the unaudited financial statements signed by the Corporate Director and Chief Financial Officer on 30 June 2017.

THE CASH FLOW STATEMENT

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

2015/16 £000		2016/17 £000
(1,706)	**Net deficit on the provision of services**	**(868)**
2,517	Adjust net Deficit on the provision of services for non-cash movements (note 28)	4,976
(824)	Adjust for items included in the net Deficit on the provision of services that are investing and financing activities (note 28)	(277)
(13)	**Net cash flows from Operating Activities**	**3,831**
(1,394)	Investing Activities (note 29)	(4,662)
706	Financing Activities (note 30)	(517)
(701)	**Net decrease in cash and cash equivalents**	**(1,348)**
5,198	Cash and cash equivalents at the beginning of the reporting period (note 22)	4,497
4,497	**Cash and cash equivalents at the end of the reporting period (note 22)**	**3,149**

EXPENDITURE AND FUNDING ANALYSIS

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

2015/16				**2016/17**		
Net Expenditure Chargeable to General Fund	**Adjustments between Funding and Accounting Basis (Note 6)**	**Net Expenditure in the CIES**		**Net Expenditure Chargeable to General Fund**	**Adjustments between Funding and Accounting Basis (Note 6)**	**Net Expenditure in the CIES**
£000	£000	£000		**£000**	**£000**	**£000**
1,245	502	1,747	Growth and Infrastructure	**889**	**142**	**1,031**
4,713	1,335	6,048	Housing, Environment, Leisure and Community	**4,500**	**1,753**	**6,253**
6,414	(2,969)	3,445	Planning, Resources and Customer Services	**6,189**	**(2,319)**	**3,870**
1,485	(257)	1,228	Policy and Governance	**1,283**	**(183)**	**1,100**
13,857	**(1,389)**	**12,468**	**Net Cost of Services**	**12,861**	**(607)**	**12,254**
(13,365)	**2,603**	**(10,762)**	Other Income and Expenditure	**(12,889)**	**1,503**	**(11,386)**
492	**1,214**	**1,706**	**(Surplus) or Deficit**	**(28)**	**896**	**868**
2,886			**Opening General Fund Balance**	**2,394**		
(492)			**Less/Plus Surplus or (Deficit) on General Fund in Year**	**28**		
2,394			**Closing General Fund Balance at 31st March**	**2,422**		

INDEX TO THE NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS). Policies have been consistently applied except for the policy in relation to heritage assets where some of the measurement rules are relaxed (details are provided in paragraph xi below).

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

ii. ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

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

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

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

iii. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

v. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

vi. COUNCIL TAX AND NON – DOMESTIC RATES

The Council as billing authority, act as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of these benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council.

The Council is also a member of the Pilots' National Pension Scheme, administered by Capita, although during 2016/17, the Council triggered a 'cessation' event whereby the Council no longer had any employees who were members of the scheme. Consequently, the Council will be liable for an exit payment to the Pension Scheme. Further details are contained in note 40.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the yields of the constituents of the IBoxx £ Corporates AA index and the Council's weighted average duration).

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

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

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

  Service cost comprising:

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

Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

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

Discretionary Benefits

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

viii. FAIR VALUE MEASUREMENT

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

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

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

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

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

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

Level 3 – unobservable inputs for the asset or liability.

ix. FINANCIAL INSTRUMENTS

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

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

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets could be classified into two types;

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

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

Loans and Receivables

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

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

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

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

x. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

xi. HERITAGE ASSETS

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

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

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

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

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

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

xii. INTANGIBLE ASSETS

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

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

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

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

xiii. INVENTORIES

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

xiv. INVESTMENT PROPERTY

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

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

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

xv. LEASES

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

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

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

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to the lessor. Indirect costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Operating Leases

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

xvi. OVERHEADS AND SUPPORT SERVICES

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

xvii. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xviii. PROVISIONS

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

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

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

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

xix. CONTINGENT LIABILITIES

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

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

xx. CONTINGENT ASSETS

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

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

xxi. RESERVES

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

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

xxii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

xxiii. VALUE ADDED TAX (VAT)

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

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) the Council is required to disclosure information setting out the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

No changes have been identified which will have a material impact on the information disclosed in the Council's 2016/17 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The critical judgements made in the financial statements are:

Funding

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

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, the Council is liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2017. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31st March 2017. The Council's share of the balance of business rate appeals provisions held at this date amounted to £1.041m this has decreased by £0.287m from the previous year.

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

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

The following items in the Council's Balance Sheet as at 31 March 2017 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property. The methodology for valuing properties at Depreciated Replacement Cost (DRC), eg. Leisure Centres, includes an adjustment for obsolescence as deemed reasonable by the Council's valuers.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £20k for every year that useful life is reduced. Current DRC valuation includes a 10 year obsolescence free period, which if not included would reduce the valuation of the Leisure Centres by £1.447m. Applying a 2% obsolescence factor would reduce the valuation by £3.016m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example: (i) a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £13.306m (ii) a 0.5% increase in the salary increase rate would result in an increase in the pension liability of £2.172m. (iv) a 0.5% increase in the pension increase rate would result in an increase in the pension liability of £10.933m. However, the assumptions interact in complex ways, so care should be taken when looking at changes in one variable in isolation.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

The Council's net share of non-domestic rates income totalling £10.947m and the tariff/levy of £6.834m payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

Revaluation gains of £0.342m have been charged against the General Fund Surplus on Provision of Services. These gains primarily result from an upward revision of property, plant and equipment following a full re-valuation of assets (valued at fair value) at 1 April 2016.

6. EXPENDITURE AND FUNDING ADJUSTMENTS ANALYSIS

Adjustments between Funding and Accounting Basis 2016/17	**Adjustments for Capital Purposes (Note i)**	**Net Change for the Pensions Adjustment (Note ii)**	**Other Differences (Note iii)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	69	(5)	78	142
Housing, Environment, Leisure and Community	783	(55)	1,025	1,753
Planning, Resources and Customer Services	109	(8)	(2,420)	(2,319)
Policy and Governance	33	(7)	(209)	(183)
Net Cost of Services	**994**	**(75)**	**(1,526)**	**(607)**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(75)**	**2,350**	**(772)**	**1,503**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**919**	**2,275**	**(2,298)**	**896**

Adjustments between Funding and Accounting Basis 2015/16	Adjustments for Capital Purposes (Note i) £000	Net Change for the Pensions Adjustment (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts				
Growth and Infrastructure	323	21	158	502
Housing, Environment, Leisure and Community	362	223	750	1,335
Planning, Resources and Customer Services	20	36	(3,025)	(2,969)
Policy and Governance	46	33	(336)	(257)
Net Cost of Services	**751**	**313**	**(2,453)**	**(1,389)**
Other Income and Expenditure from the Expenditure and Funding Analysis	**26**	**1,853**	**724**	**2,603**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**777**	**2,166**	**(1,729)**	**1,214**

Note (i): Adjustments for Capital Purposes

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

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

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

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

Note (ii): Net Change for the Pensions Adjustments

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

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

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

Note (iii): Other Differences

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

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

Segmental Income

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

Services	**2016/17 Income from Services £000**	**2015/16 Income from Services £000**
Growth and Infrastructure	**(249)**	**(400)**
Housing, Environment, Leisure and Community	**(4,696)**	**(4,668)**
Planning. Resources and Customer Services	**(1,279)**	**(1,216)**
Policy and Governance	**(449)**	**(355)**
Financing and Investment Income	**(2,295)**	**(2,885)**
Total Fees, charges and other service income	**(8,968)**	**(9,524)**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefits Expenses	**15,240**	**15,465**
Other Service Expenses	**41,471**	**38,994**
Depreciation, Amortisation, Impairment	**994**	**1,388**
Interest Payments	**489**	**508**
Precepts and Levies	**2,358**	**2,588**
Gain/(Loss) on the Disposal of Assets	**769**	**(104)**
Total Expenditure	**61,321**	**58,839**
Fees, Charges and Other Service Income	**(9,524)**	**(8,968)**
Interest and Investment Income	**(187)**	**(167)**
Income from Council Tax and Non-Domestic Rates	**(11,249)**	**(12,436)**
Government Grants and Contributions	**(38,655)**	**(36,400)**
Total Income	**(59,615)**	**(57,971)**
Deficit on Provision of Services	**1,706**	**868**

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

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

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

2015/16	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	1,598	0	0	(1,598)
Revaluation (Surplus)/Losses on Property, Plant and Equipment	(1,379)	0	0	1,379
Movements in the market value of Investment Properties	1,507	0	0	(1,507)
Amortisation of intangible assets	84	0	0	(84)
Capital grants and contributions that have been applied to capital financing	(835)	0	0	835
Revenue expenditure funded from capital under statute	878	0	0	(878)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3	0	0	(3)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(187)	0	0	187
Capital expenditure charged against General Fund Balance	(243)	0	0	243
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(538)	538	0	0
Use of Capital Receipts Reserve to finance new Capital expenditure	0	(1,267)	0	1,267
Miscellaneous Capital receipts	(28)	28	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sales proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Account	(348)	0	0	348

2015/16	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred To the Capital Adjustment Account	0	0	(33)	33
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are Different from finance costs chargeable in the year in accordance with statutory requirements	(10)	0	0	10
Adjustments primarily involving the LGPS Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,369	0	0	(4,369)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,123)	0	0	2,123
Adjustments primarily involving the Pilots' National Pension Fund:				
Reversal of items relating to post-employment benefits debited to Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(81)	0	0	81
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and non-domestic rating income calculated for the year in accordance with statutory requirements	395	0	0	(395)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on An accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(58)	0	0	58
Total Adjustments	**3,004**	**(701)**	**(33)**	**(2,270)**

9. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2016/17.

	Note	Balance at 1 April 2015	Movements in year		Balance at 31 March 2016	Movements in year		Balance at 31 March 2017
			Receipts	Applied		Receipts	Applied	
		£000	£000	£000	£000	£000	£000	£000
Travellers Sites	1	**154**	**79**	**0**	**233**	**31**	**(8)**	**256**
Maintenance -Station Road, Whittlesey	2	**0**	**3**	**0**	**3**	**3**	**0**	**6**
CCTV	3	**79**	**10**	**0**	**89**	**10**	**0**	**99**
Invest to Save	4	**120**	**0**	**0**	**120**	**0**	**0**	**120**
Conservation	5	**54**	**0**	**0**	**54**	**0**	**0**	**54**
Management of Change Reserve	6	**1,025**	**250**	**(76)**	**1,199**	**0**	**(1)**	**1,198**
Neighbourhood Planning Reserve	7	**195**	**0**	**0**	**195**	**0**	**0**	**195**
Specific Grants Reserve	8	**537**	**32**	**(181)**	**388**	**298**	**(44)**	**642**
Personal Search Fees	9	**98**	**27**	**0**	**125**	**7**	**(17)**	**115**
Community Projects	10	**12**	**0**	**0**	**12**	**0**	**0**	**12**
Local Government Resource Review	11	**500**	**0**	**0**	**500**	**0**	**0**	**500**
Capital Contribution Reserve	12	**181**	**650**	**(166)**	**665**	**0**	**(8)**	**657**
Port – Buoy Maintenance	13	**150**	**0**	**(1)**	**149**	**0**	**0**	**149**
Pilots' National Pension Fund	14	**500**	**1,151**	**0**	**1,651**	**700**	**(1,900)**	**451**
Wisbech 2020 Vision	15	**0**	**12**	**0**	**12**	**0**	**(12)**	**0**
Repairs & Maintenance Reserve	16	**0**	**0**	**0**	**0**	**400**	**0**	**400**
Development Fund	17	**0**	**0**	**0**	**0**	**1,000**	**0**	**1,000**
Total		**3,605**	**2,214**	**(424)**	**5,395**	**2,449**	**(1,990)**	**5,854**

Notes:

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

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

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

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

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

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

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

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

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

10. Available to assist local community projects.

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

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

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

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

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

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

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

10. OTHER OPERATING EXPENDITURE

	2016/17 £000	2015/16 £000
Parish Council Precepts	**1,194**	**979**
Council Tax Support Grant – Payments to Parish Councils	**89**	**97**
Drainage Board Levies	**1,394**	**1,379**
Gains on the disposal of non-current assets	**(104)**	**(46)**
Total	**2,573**	**2,409**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £000	2015/16 £000
Deficit on Trading Accounts	**1,096**	**617**
Interest payable and similar charges	**508**	**489**
Interest on the net defined pension liability	**1,768**	**1,886**
Interest receivable and similar income	**(167)**	**(187)**
Income and expenditure in relation to Investment properties and changes in their fair value	**(185)**	**627**
Total	**3,020**	**3,432**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £000	2015/16 £000
Council Tax income	**(8,323)**	**(7,852)**
Net share of business rate income	**(4,113)**	**(3,397)**
Non-ringfenced Government grants	**(4,380)**	**(5,018)**
Capital grants and contributions	**(163)**	**(336)**
Total	**(16,979)**	**(16,603)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2016/17:

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

Comparative Movements in 2015/16:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2015	**25,303**	**12,896**	**7,493**	**1,358**	**354**	**47,404**
Additions	633	965	391	96	0	2,085
Revaluation Surplus recognised in the Revaluation Reserve	8,234	0	0	0	4,182	12,416
Revaluation Deficit recognised in the Deficit on the Provision of Services	(2,240)	0	0	9	643	(1,588)
Assets reclassified to/from Held for Sale	2	0	0	0	18	20
Other Assets reclassified	190	0	(310)	0	223	103
At 31 March 2016	**32,122**	**13,861**	**7,574**	**1,463**	**5,420**	**60,440**
Accumulated Depreciation and Impairment						
At 1 April 2015	**(3,323)**	**(9,252)**	**(1,809)**	**(88)**	**(21)**	**(14,493)**
Depreciation charge	(363)	(762)	(270)	0	0	(1,395)
Depreciation charge to Revaluation Reserve	(203)	0	0	0	0	(203)
Depreciation charge written out to the Deficit on the provision of services	2,327	0	0	0	17	2,344
Depreciation charge written out to the Revaluation Reserve	291	0	0	0	0	291
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	619	0	0	0	4	623
Impairment losses recognised in the Revaluation Reserve	86	0	0	0	0	86
At 31 March 2016	**(566)**	**(10,014)**	**(2,079)**	**(88)**	**(0)**	**(12,747)**
Net Book Value						
At 31 March 2016	**31,556**	**3,847**	**5,495**	**1,375**	**5,420**	**47,693**
At 31 March 2015	**21,980**	**3,644**	**5,684**	**1,270**	**333**	**32,911**

Fair Value Hierarchy

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

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

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

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

Highest and Best Use

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

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

Valuation Process for Surplus Assets and Investment Properties

The Council's investment properties and surplus assets have been valued as at 31 March 2017 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Depreciation

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

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

Capital Commitments

At 31 March 2017, the Council had contractual capital commitments of £0.750m (2015/16: £0.539m).

Revaluations

The following statement shows the progress of the Council's programme for the revaluation of all Property, Plant and Equipment. A full re-valuation of all assets valued at fair value was undertaken at 1 April 2015. Valuations of high value assets are updated by way of an annual review. All assets required to be valued at fair value are re-valued at least every 5 years.

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

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

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

The following table shows those assets held at historical cost valuation. Vehicles, Plant and Equipment as short life operational assets are held at historical cost less depreciation as a proxy for fair value. All other assets have been revalued (current value) to provide their fair value.

	Land & Buildings £000	**Infrastructure Assets £000**	**Community Assets £000**	**Vehicles, Plant & Equipment £000**	**Surplus Assets £000**	**Total £000**
Valued at historical cost	0	5,310	1,444	3,713	0	10,467
Valued at fair value as at:						
31 March 2016	2,657	0	0	0	5,097	7,754
31 March 2017	32,747	0	0	0	0	32,747
Total	35,404	5,310	1,444	3,713	5,097	50,968

14. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2016/17 £000	**2015/16 £000**
Rental income from investment property	**(72)**	**(43)**
Direct operating expenses	**(113)**	**692**
Net Gain on disposal of investment property	**0**	**(22)**
Net (Gain)/Loss	**(185)**	**627**

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

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

	2016/17 £000	2015/16 £000
Balance at start of the year	**1,268**	**2,878**
Net gain/(loss) from fair value adjustments	**113**	**(692)**
Disposals	**(0)**	**(815)**
Assets Reclassified to PPE	**(0)**	**(103)**
Balance at end of the year	**1,381**	**1,268**

Fair Value Hierarchy

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

15. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight line basis in line with the Council's general depreciation/amortisation policy. The amortisation of £60,396 charged to revenue in 2016/17 is charged to the IT cost centre and then absorbed as an overhead across all service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2016/17 £000	2015/16 £000
Balance at start of year		
Gross Carrying amount	**1,455**	**1,453**
Accumulated amortisation	**(1,297)**	**(1,213)**
Net carrying amount at start of year	**158**	**240**
Additions	**24**	**2**
Amortisation for the year	**(60)**	**(84)**
Net carrying amount at end of year	**122**	**158**
Comprising:		
Gross carrying amounts	**1,479**	**1,455**
Accumulated amortisation	**(1,357)**	**(1,297)**
	122	**158**

16. LONG TERM DEBTORS

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

	31 March 2017 £000	31 March 2016 £000
Mortgages	**55**	56
Private sector housing improvement loans	**119**	113
Deferred land sale proceeds	**258**	348
Employee car loans	**208**	258
Other	**35**	30
Total	**675**	**805**

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount 31 March 2017 £000	 31 March 2016 £000
Financial liabilities		
Long Term Liabilities	**(7,800)**	**(7,800)**
Short Term Borrowings	**(35)**	**(36)**
Creditors	**(3,565)**	**(3,518)**
	(11,400)	**(11,354)**
Loans & Receivables		
Total Debtors	**2,443**	**2,627**
Cash & Cash Equivalents	**3,149**	**4,497**
Investments	**18,523**	**14,518**
	24,115	**21,642**

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

Income, expense, gains and losses

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

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

	Liabilities measured at amortised cost 31 March 2016 £000	Loans and Receivables 31 March 2016 £000	Total 31 March 2016 £000
Interest Income – soft loans	0	(6)	**(6)**
Interest and Investment Income	0	(181)	**(181)**
Increase in bad debts provision	0	329	**329**
Interest payable and similar charges	494	0	**494**
Net loss for year	494	142	**636**

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

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

18. FAIR VALUE OF ASSETS AND LIABILITIES

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

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to the fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

- For loans from the Public Works Loan Board (PWLB), new borrowing rates have been applied from the PWLB to provide fair value disclosures at the balance sheet date. As an alternative, the Debt Management Office provides a fair value valuation under PWLB debt redemption procedures calculated without undertaking a repayment or transfer.
- For Lender Option Borrower Option Loans payable, PWLB (new) prevailing market rates have been applied to provide the fair value disclosures at the balance sheet date.

As at the 31 March the Council held £24.115m financial assets and £11.400m liabilities for which level 3 valuations will not apply. All the financial assets are classed as loans and receivables and held within Notice Accounts. The financial liabilities are held with PWLB and market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

	Carrying Amount 31 March 2017 £000	**Fair Value 31 March 2017 £000**	**Carrying Amount 31 March 2016 £000**	**Fair Value 31 March 2016 £000**
Financial liabilities				
Long Term Liabilities	**(7,800)**	**(12,377)**	**(7,800)**	**(11,503)**
Short Term Borrowing	**(35)**	**(35)**	**(36)**	**(36)**
Creditors	**(3,565)**	**(3,565)**	**(3,518)**	**(3,518)**
	(11,400)	**(15,977)**	**(11,354)**	**(15,057)**
Loans & Receivables				
Total Debtors	**2,443**	**2,443**	**2,627**	**2,627**
Cash & Cash Equivalents	**3,149**	**3,149**	**4,497**	**4,497**
Investments	**18,523**	**18,523**	**14,518**	**14,518**
	24,115	**24,115**	**21,642**	**21,642**
Total	**12,715**	**8,138**	**10,288**	**6,585**

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

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. If a value is calculated on this basis, the carrying amount of £4.532m would be valued at £7.182m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £3.362m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £7.894m.

This redemption charge is a supplementary measure of the fair value of the PWLB loans of £7.894m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value, measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

How the Council Manages These Risks

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

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

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

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

At 31 March 2017 there was a maximum of £5 million with approved counterparties and a maximum of 2 times this limit may be invested in total with counterparties belonging to the same group.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to investments at 31 March 2017 and that any residual risk cannot be quantified.

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

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

		Maturity Bands		
31 March 2016	**Less than 3 Months**	**3 Months to 6 Months**	**6 Months to 1 year**	**Total**
	£000	**£000**	**£000**	**£000**
Banks	5,050	10,000	0	15,050
Building Society's	3,500	0	0	3,500
	8,550	**10,000**	**0**	**18,550**

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

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

	31 March 2017	**31 March 2016**
	£000	**£000**
Long term debtors	**245**	288
Other debtors	**1,767**	1,822
Total	**2,012**	**2,110**

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

	31 March 2017 £000	31 March 2016 £000
Opening balance	**455**	440
Increase in allowance for impairment	**28**	24
Balances written off during the year	**(42)**	(9)
Closing balance	**441**	**455**

The Council does not generally extend credit to its customers beyond 14 days. At 31 March 2017, of the total debtor and deferred debtor balances of £2.012 million (£2.110 million at 31 March 2016), the past due amount was £0.307 million (£0.595 million at 31 March 2016) and can be analysed by age as follows:

Customer Debts	31 March 2017 £000	31 March 2016 £000
Less than one year	**182**	450
More than one year	**125**	145
Total	**307**	**595**

The Council believes it has taken all reasonable steps to minimise any exposure to credit risks in relation to those customer debts that are past due but not impaired at 31 March 2017 and that any residual risk cannot be quantified.

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

All financial liabilities as at 31 March 2017 are due within one year, apart from long term borrowings and finance lease liabilities. The maturity analysis of long term borrowing is as follows:

	31 March 2017 £000	31 March 2016 £000
Between 10 and 15 years	**4,500**	2,000
Between 15 and 20 years	**0**	2,500
Between 35 and 40 years	**3,300**	3,300
Total	**7,800**	**7,800**

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

Market Risk – Interest Rate Risk
The Council is exposed to minimal risk in respect of adverse interest rate movements in its investments. This is because fixed rate investments are of less than one year in duration and the changes to fair value will be minimal. The Council does, however, utilise “call accounts” for short term deposits and the interest rate on these accounts move in

line with the bank base rate. In general terms, a rise in interest rates would have the following effects:

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

The Council's treasury management officers play a pro-active role in assessing interest rate exposure that feeds into the Council's annual budget setting process and which is used to revise budget projections as necessary during the financial year. The assessment procedures indicate that if interest rates were one percentage point higher, with all other variables held constant, the effect in 2016/17 would have been a reduction in income of £71,000 (£57,000 reduction in 2015/16).

The impact of a one percentage point fall in interest rates would be the reverse of the net effect identified in the table above. The Code of Practice on Local Authority Accounting 2016/17 suggests a sensitivity analysis of one percentage point.

20. INVENTORIES

	General & Vehicle		Leisure/Post & Printing		Total	
	2016/17 £000	2015/16 £000	**2016/17 £000**	2015/16 £000	**2016/17 £000**	2015/16 £000
Balance outstanding at start of year	**61**	82	**10**	19	**71**	101
Purchases	**338**	312	**12**	54	**350**	366
Recognised as an expense in the year	**(335)**	(333)	**(22)**	(63)	**(357)**	(396)
Balance outstanding at year-end	**64**	**61**	**0**	**10**	**64**	**71**

21. SHORT TERM DEBTORS

	31 March 2017 £000	31 March 2016 £000
Central Government bodies	**1,297**	1,310
Other local authorities	**348**	458
Council Tax Arrears	**673**	574
Business Rate Arrears	**314**	217
Other entities and individuals	**2,239**	2,292
Total	**4,871**	**4,851**

Each line item is presented net of impairment.

22. CASH AND CASH EQUIVALENTS

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

	31 March 2017 £000	31 March 2016 £000
Cash held by the Council	**2,807**	4,063
Bank Current Accounts	**342**	434
Total Cash and Cash Equivalents	**3,149**	**4,497**

23. SHORT TERM CREDITORS

	31 March 2017 £000	31 March 2016 £000
Central Government bodies	**2,574**	1,656
Other local authorities	**1,100**	1,426
Other entities and individuals	**3,263**	2,902
Total	**6,937**	**5,984**

24. RECEIPTS IN ADVANCE

	31 March 2017 £000	31 March 2016 £000
Council Tax receipts in advance	**246**	209
Business Rates receipts in advance	**100**	88
Garden Waste receipts in advance	**565**	0
Other	**194**	182
Total	**1,105**	**479**

25. PROVISIONS

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	**1,328**	585
Additional Provision	**2,544**	836
Utilised in Year	**(872)**	(93)
Balance at 31 March	**3,000**	**1,328**

Included within Provisions are amounts set aside to meet potential future liabilities for Business Rates Appeals, Redundancy Payments approved before 31st March 2017 and the Pilots National Pension Fund.

26. USABLE RESERVES

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

27. UNUSABLE RESERVES

	31 March 2017 £000	31 March 2016 £000
Revaluation Reserve	**19,442**	16,547
Capital Adjustment Account	**32,353**	31,778
Financial Instruments Adjustment Account	**(264)**	(274)
Pensions Reserve LGPS	**(55,049)**	(50,497)
Pilots' National Pension Fund	**0**	(1,304)
Deferred Capital Receipts Reserve	**258**	348
Collection Fund Adjustment Account	**43**	67
Accumulated Absences Account	**(231)**	(167)
Total	**(3,448)**	**(3,502)**

Revaluation Reserve

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

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

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

	2016/17 £000	2015/16 £000
Balance at 1 April	**16,547**	**3,958**
Upward revaluation of assets	**3,649**	13,674
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	**(397)**	(879)
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	**3,252**	**12,795**
Difference between fair value depreciation and historical cost depreciation	**(258)**	(203)
Accumulated gains on assets sold or scrapped	**(99)**	(3)
Amount written off to the Capital Adjustment Account	**(357)**	**(206)**
Balance at 31 March	**19,442**	**16,547**

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 of the financial statements provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £000	2015/16 £000
Balance at 1 April	**31,778**	**31,698**
Charges for depreciation and impairment of non-current assets	**(1,669)**	(1,598)
Revaluation Surplus on Property, Plant and Equipment	**228**	1,379
Amortisation of intangible assets	**(60)**	(84)
Revenue expenditure funded from capital under statute	**(891)**	(878)
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	**(136)**	(3)
Adjusting amounts written out of the Revaluation Reserve	**357**	206
Use of the Capital Receipts Reserve to finance new capital expenditure	**1,429**	1,267
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**943**	835
Application of grants to capital financing from the Capital Grants Unapplied Account	**2**	33
Statutory provision for the financing of capital investment charged against the General Fund Balance	**242**	187
Capital expenditure charged against the General Fund Balance	**17**	243
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	**113**	(1,507)
Balance at 31 March	**32,353**	**31,778**

Financial Instruments Adjustment Account

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

	2016/17 £000	2015/16 £000
Balance at 1 April	**(274)**	**(284)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**4**	4
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**6**	6
Balance at 31 March	**(264)**	**(274)**

Pension Reserve – Local Government Pension Scheme

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

	2016/17 £000	2015/16 £000
Balance at 1 April	**(50,497)**	**(58,604)**
Re-measurements of the net defined benefit liability	**(2,872)**	10,353
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(3,833)**	(4,369)
Employer's pensions contributions and direct payments to pensioners payable in the year	**2,153**	2,123
Balance at 31 March	**(55,049)**	**(50,497)**

Pension Reserve – Pilots' National Pension Fund

The Pension Reserve represents this Council's estimated share of the PNPF deficit following the latest revaluation at 31 December 2013. In November 2016, the Council triggered a 'cessation event' with the PNPF, which means the Council no longer has any active members in the fund, or are likely to have in the near future. Consequently, this will result in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules. The Council has been informally notified by the PNPF that the likely exit payment will be of the order of £1.9 million. Full provision for this payment has been made in the Council's revenue account for 2016/17. As a consequence of making full provision for the likely exit payment, the balance on the PNPF Pension Reserve £1.304 million at 1st April 2016, has been written down to zero (see Note 40 (ii)) for further information.

	2016/17 £000	2015/16 £000
Balance at 1 April	**(1,304)**	(1,385)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**1,304**	81
Balance at 31 March	**0**	**(1,304)**

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.

	2016/17 £000	2015/16 £000
Balance at 1 April	**348**	0
Transfer of deferred sale proceeds credited as part of the Gain on disposal to the Comprehensive Income and Expenditure statement	**0**	837
Transfer to the Capital Receipts Reserve upon receipt of cash	**(90)**	(489)
Balance at 31 March	**258**	**348**

Collection Fund Adjustment Account

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

	2016/17 £000	2015/16 £000
Balance at 1 April	**67**	**462**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	**(24)**	(395)
Balance at 31 March	**43**	**67**

Accumulated Absences Account

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

	2016/17 £000	£000	2015/16 £000	£000
Balance at 1 April		**(167)**		**(225)**
Settlement or cancellation of accrual made at the end of the preceding year	**167**		225	
Amounts accrued at the end of the current year	**(231)**		(167)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(64)**		58
Balance at 31 March		**(231)**		**(167)**

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

2015/16 £000		2016/17 £000
1,598	Depreciation	**1,669**
(1,379)	Impairment & downward/upward revaluations	**(228)**
84	Amortisation	**60**
329	Increase in impairment for bad debts	**284**
(538)	Increase/(decrease) in Creditors	**1,378**
(1,283)	(Increase) in Debtors	**(235)**
30	Decrease/(Increase) in inventories	**7**
2,246	Movement in pension liability	**1,680**
(81)	Movement in Pilots' pension liability	**(1,304)**
0	Contribution to Provisions	**1,959**
3	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	**136**
1,507	Movement in fair value of investment properties	**(113)**
1	Other non-cash transactions	**(317)**
2,517		**4,976**

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

	2016/17 £000	2015/16 £000
Miscellaneous capital receipts	**(7)**	(28)
Capital grants credited to the deficit on the provisions of services	**(30)**	(258)
Proceeds from the sale of non-current assets	**(240)**	(538)
	(277)	**(824)**

c) Interest received and interest paid.

	2016/17 £000	2015/16 £000
Interest received	**157**	205
Interest paid	**(511)**	(490)
	(354)	**(285)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2016/17 £000	2015/16 £000
Purchase of property, plant and equipment, investment property and intangible assets	**(1,228)**	(2,126)
Purchase of short-term investments	**(37,500)**	(30,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**339**	567
Proceeds from short-term investments	**33,500**	29,500
Other receipts from investing activities	**227**	665
Net cash flows from investing activities	**(4,662)**	**(1,394)**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2016/17 £000	2015/16 £000
Other receipts from financing activities	**173**	422
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**(236)**	(179)
Other payments for financing activities	**(454)**	463
Net cash flows from financing activities	**(517)**	**706**

31. TRADING OPERATIONS

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

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

	2016/17 £000	2015/16 £000
Expenditure	**88**	87
Income from Stallholders	**(28)**	(32)
Deficit taken to General Fund	**60**	**55**

After adjusting for capital charges the net operating deficit is £59,717 (2015/16: £54,155).

Port Undertaking

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

	2016/17 £000	2015/16 £000
Expenditure	**1,902**	1,645
Income from Port Users	**(1,019)**	(875)
Deficit taken to General Fund	**883**	**770**

After adjusting for capital charges and the Pilots' National Pension Fund's liability, the net operating deficit is £573,874 (2015/16: £96,071).

Mini-factories and Office Units

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

	2016/17 £000	2015/16 £000
Expenditure	**1,023**	610
Income from Rents	**(801)**	(762)
(Surplus)/Deficit taken to General Fund	**222**	**(152)**

After adjusting for capital charges the net operating deficit is £99,033 (2015/16: net operating surplus £140,315).

Estates

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

	2016/17 £000	2015/16 £000
Expenditure	**8**	0
Income from Rents	**(12)**	(4)
(Surplus) taken to General Fund	**(4)**	**(4)**

Trade Waste

The financial results for Trade Waste were as follows:

	2016/17 £000	2015/16 £000
Expenditure	**297**	279
Income	**(362)**	(331)
(Surplus) taken to General Fund	**(65)**	**(52)**

After adjusting for capital charges the net operating surplus is £66,271 (2015/16: £71,736).

32. MEMBERS' ALLOWANCES

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

	2016/17 £000	2015/16 £000
Allowances	**307**	315
Expenses	**16**	13
Total	**323**	328

33. EMPLOYEES' REMUNERATION

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

Senior Officers Remuneration

Name	Note	Year	Gross Salary	Benefits in Kind (e.g. car allowance)	Total Remuneration (excl. Pension contributions)	Employers Pension Contributions	Total Remuneration (incl. pension contributions)
			£	£	£	£	£
Chief Executive		**2016/17**	**138,976**	**2,000**	**140,976**	**23,626**	**164,602**
		2015/16	137,600	2,000	139,600	23,392	162,992
Corporate Director and Chief Finance Officer		**2016/17**	**106,050**	**10,500**	**116,550**	**18,029**	**134,579**
		2015/16	105,000	10,500	115,500	17,850	133,350
Corporate Director and Monitoring Officer	1	**2016/17**	**58,322**	**7,350**	**65,672**	**12,113**	**77,785**
		2015/16	76,313	7,350	83,663	12,973	96,636

Note 1: The Corporate Director and Monitoring Officer returned from a period of maternity leave during the year. The annualised salary was £77,076.

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

Remuneration Band	Number of Employees 2016/17 Total	2015/16 Total
£50,000 - £54,999	**8**	12
£55,000 - £59,999	**11**	6
£60,000 - £64,999	**2**	2
£65,000 - £69,999	**1**	1
£80,000 - £84,999	**0**	1
£90,000 - £94,999	**2**	2
£115,000 - £119,999	**1**	1
£135,000 - £139,999	**0**	1
£140,000 - £144,999	**1**	0

The band changes from 2015/16 to 2016/17 are due to pay progression within individual's terms and conditions, the nationally agreed cost of living increases and a severance payment to one post made redundant during 2016/17 (three posts in 2015/16).

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

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16 £000	**2016/17 £000**
£0 - £20,000	3	**4**	0	**0**	3	**4**	50	**37**
£20,001- £40,000	1	**2**	0	**0**	1	**2**	24	**44**
£40,001- £60,000	0	**0**	0	**0**	0	**0**	0	**0**
Total cost included in bandings	4	**6**	0	**0**	4	**6**	74	**81**
Total cost included CIES							74	**81**

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

34. EXTERNAL AUDIT COSTS

In 2016/17 Fenland District Council incurred the following fees relating to external audit and inspection:

	2016/17 £000	**2015/16 £000**
Fees payable with regard to external audit services carried out by the appointed auditor	**50**	52
Fees payable for the certification of grant claims and returns	**16**	14
Fees payable to the Audit Commission in respect of services provided – National Fraud Initiative	**2**	0
Total Audit Costs	**68**	**66**

35. GRANT INCOME

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	**1,699**	2,585
Net Share of Business Rate Income	**4,113**	3,397
New Homes Bonus Grant	**2,050**	1,574
Capital Grants and Contributions	**163**	336
Business Rate Reliefs Funded by Government	**630**	781
Other Central Government Grants	**1**	78
Total	**8,656**	**8,751**
Credited to Services		
Housing Benefit Subsidy	**29,772**	31,477
Capital Grants and Contributions	**845**	499
Housing Benefits/Local Council Tax Support Admin	**520**	589
NNDR Cost of Collection	**128**	127
Care and Repair Grant	**76**	76
Preventing Homelessness Grant	**39**	70
New Burdens Grant	**351**	200
Rogue Landlord Grant	**0**	45
Other	**126**	185
Total	**31,857**	**33,268**

The Council has received a number of developer's contributions that have yet to be recognised as income as they have conditions attached to them that require the monies to be returned to the giver if not used as prescribed. This liability is recognised in the Balance Sheet at £1,673,497 (2015/16: £1,449,883).

36. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. No material related party transaction balances remain outstanding at year end.

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

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

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

This Councils share for 2016/17 was 14.81%.

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

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016/17 £000	**2015/16 £000**
Opening Capital Financing Requirement	**1,063**	663
Capital investment (as reported in notes 13-15)		
Property, Plant and Equipment	**1,636**	2,085
Intangible Assets	**24**	2
Capital expenditure charged to Comprehensive Income and Expenditure Statement		
Revenue Expenditure Funded from Capital under Statute	**891**	878
Sources of finance		
Capital receipts	**(1,429)**	(1,267)
Government grants and other contributions	**(945)**	(868)
Sums set aside from revenue:		
Direct revenue contributions	**(17)**	(243)
MRP	**(242)**	(187)
Closing Capital Financing Requirement	**981**	**1,063**
Explanation of movements in year		
Assets acquired under finance leases	**160**	587
MRP charge to Revenue	**(242)**	(187)
Increase/(decrease) in Capital Financing Requirement	**(82)**	**400**

38. LEASES

Council as Lessee

Finance Leases

The Council leases a number of vehicles and leisure equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment (Vehicles, Plant, Furniture and Equipment) in the Balance Sheet at £977,553 (2015/16: £1,058,705).

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

	2016/17 £000	**2015/16 £000**
Finance lease liabilities (net present value of minimum lease payments):		
• current	**215**	242
• non –current	**715**	771
Finance costs payable in future years	**97**	108
Minimum lease payments	**1,027**	**1,121**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2017 £000	**31 March 2016 £000**	**31 March 2017 £000**	**31 March 2016 £000**
Not later than one year	**244**	266	**215**	242
Later than one year and not later than five years	**665**	673	**600**	597
Later Than 5 Years	**118**	182	**114**	174
	1,027	**1,121**	**929**	**1,013**

Operating Leases - Vehicles, Plant and Equipment

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

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

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**89**	91
Later than one year and not later than five years	**104**	184
	193	**275**

Lease payments for 2016/17 amounted to £94,026 (2015/16: £102,595).

Operating Leases - Land and Buildings

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

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

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**106**	107
Later than one year and not later than five years	**85**	174
	191	**281**

Lease payments for 2016/17 amounted to £107,580 (2015/16: £114,640).

Council as Lessor

Operating Leases

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

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

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**101**	86
Later than one year and not later than five years	**192**	142
Later than five years	**456**	470
	749	**698**

39. TERMINATION BENEFITS

The Council terminated the contracts of six employees in 2016/17, resulting from a programme of service staffing reviews, incurring redundancy/compensation costs of £81,351 (£73,928 in 2015/16) – see note 33 of the financial statements for the number of exit packages and total cost per band.

40. DEFINED BENEFIT PENSION SCHEMES

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

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

The Council participates in the following pension scheme:

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

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

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2016/17 £000**	**2015/16 £000**
Cost of Services:		
• Current service cost	**2,065**	2,483
• Past Service Cost (including curtailments)	**0**	0
Financing and Investment Income and Expenditure		
• Interest income on scheme assets	**(2,126)**	(1,985)
• Interest cost on defined benefit obligation	**3,894**	3,871
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,833**	4,369
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
• Return on plan assets (excluding the amount included in the net interest expense)	**(10,611)**	2,974
• Actuarial gains and losses arising on changes in demographic assumptions	**(1,003)**	0
• Actuarial gains and losses arising on changes in financial assumptions	**18,407**	(11,923)
• Other	**(3,921)**	(1,404)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**6,705**	(5,984)
Movement in Reserves Statement:		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	**(1,680)**	(2,247)
Actual amount charged against General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**2,153**	**2,123**

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme	
	2016/17	**2015/16**
	£000	**£000**
Present value of funded liabilities	**(127,238)**	(110,438)
Present value of unfunded liabilities	**(1,234)**	(1,152)
Fair value of plan assets	**73,423**	61,093
Net liability arising from defined benefit obligation	**(55,049)**	**(50,497)**

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

	Local Government Pension Scheme	
	2016/17	**2015/16**
	£000	**£000**
Opening fair value of scheme assets	**61,093**	62,284
Interest income	**2,126**	1,985
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	**10,611**	(2,974)
Contributions from employer	**2,153**	2,123
Contributions from employees into the scheme	**539**	546
Benefits paid	**(3,099)**	(2,871)
Closing fair value of scheme assets	**73,423**	**61,093**

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2016/17	**2015/16**
	£000	**£000**
Opening balance at 1 April	**(111,590)**	(120,888)
Current service cost	**(2,065)**	(2,483)
Interest cost	**(3,894)**	(3,871)
Contributions from scheme participants	**(539)**	(546)
Remeasurement gains and (losses):		
• Actuarial gains/losses arising from changes In demographic assumptions	**1,003**	0
• Actuarial gains/losses arising from changes in financial assumptions	**(18,407)**	11,923
• Other	**3,921**	1,404
Past service cost (including curtailments)	**0**	0
Benefits paid	**3,099**	2,871
Closing balance at 31 March	**(128,472)**	**(111,590)**

Local Government Pension Scheme assets comprised:

Asset Category	Fair Value of Scheme Assets 2016/17 Quoted prices in active markets £000	2016/17 Quoted prices not in active markets £000	2016/17 Total £000	2016/17 % of Total Assets	2015/16 Quoted prices in active markets £000	2015/16 Quoted prices not in active markets £000	2015/16 Total £000	2015/16 % of Total Assets
Equity Securities:								
Consumer	**1,969**	**0**	**1,969**	**3%**	1,423	0	1,423	2%
Manufacturing	**1,276**	**0**	**1,276**	**2%**	1,191	0	1,191	2%
Energy and Utilities	**1,694**	**0**	**1,694**	**2%**	1,039	0	1,039	2%
Financial Institutions	**2,973**	**0**	**2,973**	**4%**	2,256	0	2,256	4%
Health and Care	**779**	**0**	**779**	**1%**	971	0	971	2%
Information and Technology	**324**	**0**	**324**	**0%**	489	0	489	1%
Debt Securities:								
UK Government	**0**	**1,977**	**1,977**	**3%**	0	0	0	0%
Private Equity:								
All	**0**	**6,383**	**6,383**	**9%**	0	4,738	4,738	8%
Investment Funds and Unit Trusts:								
Equities	**0**	**41,285**	**41,285**	**56%**	0	33,117	33,117	54%
Bonds	**0**	**7,740**	**7,740**	**10%**	0	9,221	9,221	15%
Other	**0**	**4,876**	**4,876**	**7%**	0	5,246	5,246	8%
Cash and Cash Equivalents:								
All	**2,096**	**0**	**2,096**	**3%**	1,248	0	1,248	2%
TOTALS	**11,111**	**62,261**	**73,372**	**100%**	**8,617**	**52,322**	**60,939**	**100%**

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme 2016/17	Local Government Pension Scheme 2015/16
Longevity at 65 for current pensioners		
Men	**22.4 years**	22.5 years
Women	**24.4 years**	24.5 years
Longevity at 65 for future pensioners		
Men	**24.0 years**	24.4 years
Women	**26.3 years**	26.9 years
Rate of increase in pensions	**2.4%**	2.2%
Rate of increase in salaries	**2.7%**	4.2%
Rate for discounting scheme liabilities	**2.6%**	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2015/16.

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	10%	13,306
0.5% increase in the salary increase rate	2%	2,172
0.5% increase in the pension increase rate	9%	10,933

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has arranged a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2018.

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £55.049m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The Council anticipates paying £2.371m contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

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

(ii) Pilots' National Pension Fund (PNPF)

The Council, in its' statutory role as Competent Harbour Authority is responsible for the safe navigation and pilotage of commercial ships from The Wash to the Ports of Wisbech and Sutton Bridge. All vessels over 20 metres overall length are subject to compulsory pilotage. Former Pilots who carried out this service on behalf of the Council were members of the Pilots National Pension Fund (PNPF). Contributions to this fund are by way of a prescribed formula set by the PNPF and the amounts paid over are recoverable form Pilotage Fees levied by the Council on the ships using the service.

Previously, the Pilots, although licensed by the Council through its' role as Competent Harbour Authority, were self-employed. From April 2014 all Pilots are employed by the Council. However, during 2016/17, the Council had no employees contributing to the scheme.

As a result, in November 2016, the Council triggered a 'cessation event' with the PNPF, which means the Council no longer has any active members in the fund, or are likely to have in the near future. Consequently, this will result in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules.

The Council has been informally notified by the PNPF that the likely exit payment will be of the order of £1.9 million. Full provision for this payment has been made in the Council's revenue account for 2016/17, funded from a contribution from the PNPF reserve. The balance on this reserve prior to funding this provision was £2.351 million which means that the balance at the year-end is £0.451 million. This balance will remain in the PNPF reserve until the Council receives formal notification of the exit payment required by the PNPF. This formal notification is expected in the next couple of months.

Although the Council has initially funded the provision from the PNPF reserve, a 'capitalisation directive' (which would effectively allow the Council to borrow to fund the exit payment) is also being discussed with the DCLG. Unfortunately, due to the recent General Election, no further progress has been made on this.

As a consequence of making full provision for the likely exit payment, the balance on the PNPF Pension Reserve £1.304 million at 1st April 2016 (representing this Council's share of the estimated deficit in the pension fund), has been written down to zero. The likely amount of the exit payment is higher than the estimated deficit in the fund as exit payments are calculated on a different basis, using more prudent financial assumptions.

41. CONTINGENT LIABILITIES

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

Stock Transfer

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

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

THE COLLECTION FUND

Total 2015/16 £000		Note	Council Tax 2016/17 £000	NNDR 2016/17 £000	Total 2016/17 £000
	INCOME				
47,073	Council Tax Receivable	2	49,007	0	**49,007**
26,352	Business Rates Receivable	3	0	27,261	**27,261**
73,425	**Total Income**		**49,007**	**27,261**	**76,268**
	EXPENDITURE				
	Precepts, Demands and Shares:				
12,219	Central Government		0	12,802	**12,802**
17,475	Fenland District Council		8,190	10,241	**18,431**
33,516	Cambridgeshire County Council		32,604	2,304	**34,908**
4,963	Cambs. Police & Crime Commissioner		5,116	0	**5,116**
2,003	Cambridgeshire Fire Authority		1,830	256	**2,086**
70,176			**47,740**	**25,603**	**73,343**
	Apportionment of Previous Year Surplus / (Deficit):				
438	Central Government		0	(300)	**(300)**
447	Fenland District Council		157	(240)	**(83)**
470	Cambridgeshire County Council		637	(54)	**583**
63	Cambs. Police & Crime Commissioner		101	0	**101**
31	Cambridgeshire Fire Authority		36	(6)	**30**
1,449			**931**	**(600)**	**331**
	Charges to Collection Fund:				
127	Cost of Collection Allowance		0	128	**128**
630	Increase in Bad Debts Provision	4	493	96	**589**
2,090	Increase in Provision for Appeals	5	0	1,464	**1,464**
162	Reconciliation Adjustment		0	221	**221**
3,009			**493**	**1,909**	**2,402**
74,634	**Total Expenditure**		**49,164**	**26,912**	**76,076**
1,209	**(Surplus)/Deficit for the Year**		**157**	**(349)**	**(192)**
	COLLECTION FUND BALANCE				
(1,653)	(Surplus)/Deficit b/fwd at 1 April		(1,179)	735	**(444)**
1,209	(Surplus)/Deficit for the year (as above)		157	(349)	**(192)**
(444)	**(Surplus)/Deficit c/fwd at 31 March**	6	**(1,022)**	**386**	**(636)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. GENERAL

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

2. COUNCIL TAXPAYERS

Council Tax income is derived from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire Police Authority, Cambridgeshire Fire Authority and the Council for the forthcoming year, and dividing this figure by the Council Tax base of 27,935 in 2016/17 (2015/16: 27,368). The increase in Council Tax base in 2016/17 is a result of a combination of new builds and changes to the Council Tax Reduction Scheme approved by Council at its' meeting on 17 December 2015.

The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent adjusted for discounts etc. This basic amount of tax for a Band D property (average of £1,708.98 for 2016/17 compared to £1,671.24 for 2015/16) is then multiplied by the proportion specified for the particular Band (after adjusting for individual Parish Council precepts) to give an individual amount due.

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

	Proportion of Band D Charge (ninths)	Equated no of Chargeable Dwellings
Band A	6	7,145
Band B	7	7,228
Band C	8	6,375
Band D	9	3,891
Band E	11	2,318
Band F	13	714
Band G	15	239
Band H	18	25
		27,935

Income received from Council Tax payers in 2016/17 was £49.007m (£47.073m in 2015/16).

3. NATIONAL NON-DOMESTIC RATES (NNDR)

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

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £12.802m to Central Government, £2.304m to Cambridgeshire County Council, £0.256m to Cambridgeshire Fire Authority and £10.241m to Fenland Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority, identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Fenland paid a tariff to the government of £6.390m in 2016/17 (£6.337m in 2015/16) which is charged to the General Fund.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates appeals outstanding as at 31 March 2017. As such, authorities are required to make a provision for these amounts. The total provision charged to the Collection Fund for 2016/17 has been calculated at £1.464m.

The total NNDR income due (including transitional protection) from business ratepayers for 2016/17 was £27.261m (2015/16 £26.352m).The local non-domestic rateable value at 31 March 2017 was £65,637,163 (£66,259,748 at 31 March 2016). The national multipliers for 2016/17 were 48.4p for qualifying Small Businesses and a standard multiplier of 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

In addition to the tariff payment, a 'levy' payment is due to Central Government on business rate income achieved over the baseline amount. The comparison of business rate income for levy purposes, uses the total income collected from business ratepayers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief and other reliefs (announced in the Autumn Statement 2013), not allowed for when the scheme was set. The levy is set at 50% of the growth above the baseline level and for 2016/17, a levy payment of £444,126 (£255,006 in 2015/16) is due to Central Government and this has been charged to the General Fund.

In addition, Fenland is part of the 'Growth Pilot' scheme agreed between the Treasury and Cambridgeshire and Peterborough Councils (effective 1 April 2015), whereby authorities are able to keep 100% of business rates generated above forecast levels. This has resulted in additional business rates being retained by this Council of £584,079 for 2016/17 (£319,293 in 2015/16) and this has been credited to the General Fund.

4. PROVISION FOR NON PAYMENT OF COUNCIL TAX AND NNDR

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

Council Tax Bad Debts Provision

2015/16 £000		2016/17 £000
751	**Balance at 1 April**	**989**
(204)	Write-offs during year for previous years	(211)
442	Increase in provision during year	493
989	**Balance at 31 March**	**1,271**

The Council's proportion of this provision at 31 March 2017 is £218,457 (£169,699 at 31 March 2016).

Non- Domestic Rates Bad Debts Provision

2015/16 £000		2016/17 £000
465	**Balance at 1 April**	**642**
(11)	Write-offs during year for previous years	(12)
188	Increase in provision during year	96
642	**Balance at 31 March**	**726**

The Council's proportion of this provision at 31 March 2017 is £290,318 (£256,616 at 31 March 2016).

5. PROVISION FOR APPEALS – NON-DOMESTIC RATES

The Collection Fund account also provides for provision for appeals against rateable values set by the Valuation Office Agency (VOA) which have not been settled as at 31 March 2017.

2015/16 £000		2016/17 £000
1,462	**Balance at 1 April**	**3,319**
(233)	Write-offs during year for previous years	(2,180)
2,090	Increase in provision during year	1,464
3,319	**Balance at 31 March**	**2,603**

The Council's proportion of this provision at 31 March 2017 is £1,041,260 (£1,327,501 at 31 March 2016).

6. DEFICIT/ (SURPLUS) ON COLLECTION FUND

Council Tax Collection Fund

The surplus of £1,021,890 at 31 March 2017 (£1,178,887 surplus at 31 March 2016), which related to Council Tax, will be reimbursed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

This Council's share of the surplus (£175,389) is reported within the Collection Fund Adjustment Account.

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

	31 March 2017 £000	31 March 2016 £000
Fenland District Council	**(175)**	(199)
Cambridgeshire County Council	**(698)**	(807)
Cambridgeshire Police & Crime Commissioner	**(110)**	(128)
Cambridgeshire Fire Authority	**(39)**	(45)
Total (Surplus) /Deficit	**(1,022)**	**(1,179)**

Non-Domestic Rates Collection Fund

The deficit of £385,693 at 31 March 2017 (deficit of £735,553 at 31 March 2016), which related to Business Rates, will be reimbursed in subsequent financial years by Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

This Council's share of the deficit (£154,277) is reported within the Collection Fund Adjustment Account.

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

	31 March 2017 £000	31 March 2016 £000
Fenland District Council	**154**	294
Cambridgeshire County Council	**35**	66
Cambridgeshire Fire Authority	**4**	7
Central Government	**193**	368
Total (Surplus)/Deficit	**386**	**735**

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

Opinion on the Authority’s financial statements

We have audited the financial statements of Fenland District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 41 and the Collection Fund and its related notes 1 to 6.

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 2016/17.

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

Respective responsibilities of the Corporate Director and Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Corporate Director and Chief Finance Officer 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director and Chief Finance Officer and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Fenland District Council as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Fenland District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fenland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Fenland District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

……………………………….. *Date: 27 September 2017.*

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

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

2. The purpose of the governance framework

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

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

The governance framework has been in place at Fenland District Council for the year ended 31 March 2017 and up to the date of approval of the annual performance report and statement of accounts.

3. The governance framework

Fenland District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing an annual governance statement.

This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Council's governance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the "CIPFA/SOLACE Framework for delivering good governance in Local Government (2016 Edition)".

Elements of the framework

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

Communicating vision

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

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

Reviewing the vision

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

Translating the vision into objectives

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

Measuring quality of services for users and value for money

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

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

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

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

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

Defining roles and responsibilities

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

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

Developing standards & codes of conduct

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

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

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

Reviewing effectiveness of decision making

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

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

Reviewing effectiveness of managing risks

The Council has a Risk Management Strategy and Standard that has enabled the monitoring of risk within projects, Service Plans, performance management, financial planning, policy setting and decision making. The Council has a balanced risk appetite that allows new ideas to be explored and encourages innovation. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. In January 2017 the Corporate Governance Committee had a briefing on the Council's approach to risk management which proposed some changes including quarterly reporting to the committee, in addition the Risk Management Strategy is reviewed annually by Corporate Governance Committee.

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

Effective counter fraud and corruption

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

Effective management of change and transformation

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

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

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

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

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

CIPFA Statement on the Role of the Head of Internal Audit

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

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

Undertaking core functions of audit committee

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

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

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

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

Compliance with relevant laws and regulations, policies and procedures

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

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

Whistleblowing & customer complaints

The Council maintains and promotes a corporate whistleblowing policy that is regularly reviewed against best practice such as British Standards Institution PAS (Publically Available Specification 1998:2008 Whistle Blowing Arrangements – Code of Practice) and guidance from Public Concern at Work.

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

Member and senior officer strategic training needs

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

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

The Council is Investors In People accredited and is committed to continued development of its employees.

Consulting with community & stakeholders

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

The Council uses these channels, such as the website, community hubs, to consult on activities relevant to the community including planning, licensing, policy development and in the last year the Council’s internal Comprehensive Spending Review. A comprehensive review of the Corporate Consultation Strategy is currently being conducted.

Enhancing accountability and effectiveness of other providers

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

Good governance in partnership working

The Fenland Strategic Partnership provides a platform for partnership working as do other projects that have established governance structures. In addition the Council has developed a number of successful partnerships and shared service arrangements. Examples include efficient delivery of services through the Anglia Revenues Partnership, Home Improvement Agency, CNC Building Control, shared planning and development with Peterborough; and effective use of assets by sharing accommodation with other Public Sector Organisations through Community Hubs and Fenland Hall, a Shared Audit Manager with Kings Lynn and West Norfolk District Council as well as a current pilot with Peterborough City Council and Kingdom in relation to enforcement.

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

4. Review of effectiveness

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

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

Council

The Council has agreed a number of policies and corporate documents that help deliver its vision and priorities in 16/17:

- The delivery of the Comprehensive Spending Review (CSR) has been considered by Council. The review has ensured the Council continues to meet its savings targets and remain a sustainable organisation into the future. The agreed CSR projects were embedded in the Council's annual Business Plan which was approved. This links various plans and cross cutting strategies, to ensure delivery of Corporate and District-wide objectives. It builds upon the Council's Comprehensive Spending Review process, which identifies a number of savings options and income generating opportunities.
- Council made an important decision in regards to the future delivery of its leisure services whereby Members agreed that the Council should seek to tender the service and find an appropriate partner to manage the service on its behalf.
- The Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process. Additionally, the Council has approved treasury and investment strategies, the General Fund budget and Council Tax levels as well as the Treasury Management Annual Report.
- The revised statement of Licensing Policy and the special policy for a cumulative impact zone was adopted following public consultation. The policy reflects current legislative requirements and compliance with the statutory guidance issued under Section 182 of the Licensing Act 2003.In addition the revised Gambling statement of policy and the revised Hackney Carriage and Private Hire Licensing Policy were also adopted.
- The Council Tax Support Scheme was reviewed and approved following public consultation and review by Overview and Scrutiny.
- Council approved the Asset Management Plan. The policy aids the delivery of the Council's transformation project to refine existing processes, whilst maximising the value and use of our assets as well as providing a clear future plan in relation to the Council's assets.
- Council considered and supported the Cambridgeshire and Peterborough Devolution Deal Proposal following public consultation. This included agreement of the Governance Review and devolution deal. The deal was subsequently approved by all the constituency authorities and will result in additional funding to the devolved area.
- Council received and approved annual reports from Overview and Scrutiny and Corporate Governance Committee in line with their terms of reference outlining achievements from the previous year.
- Council approved the Cambridgeshire Flood and Water SPD which has been

added to our suite of planning policies.

- Council approved the statutory Polling District and Polling Places Review which contained an extensive consultation process to ensure accessibility of polling stations in relation to any forthcoming elections. In line with legislation, Council appointed the Chief Executive as Returning Officer for the Mayoral election.

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

- The membership of Committees and panels and outside bodies, and positions of Chairman and Vice Chairman, was approved for the municipal year in accordance with political proportionality rules. Council also approved membership of positions on the Combined Authority to ensure effective representation on this body.
- Statutory appointments were made to the position of Monitoring Officer and Chief Finance Officer and Section 151 Officer.

Cabinet and Corporate Management Team

The delivery of the Comprehensive Spending Review throughout 2016/17 has placed the Council in a healthy financial position. Effective financial control resulted in the Council responding to budgetary changes, and achieved an under-spend in the revised General Fund budget. Cabinet considered the provisional outturn position for 2016/17 on 15 June 2017. This stated that the Council's provisional General Fund services net under-spend is £27,994 for the financial year 2016/17, after proposed transfer to reserves. From a provisional 1.428m underspend, Cabinet agreed for £1m to be set aside in a Development Fund and a further £400,000 set aside in a new Repairs and Maintenance reserve.

The Comprehensive Spending Review initiative was fundamentally important in the development of the Efficiency Plan which was successfully submitted to the Department for Communities and Local Government (DCLG) in October 2016. DCLG have subsequently confirmed that the Council is now on multi-year settlement, which provides some certainty regarding financial planning.

CSR related decisions made include:

- Youth District Council
- New Horizons Bus
- CCTV
- Internal Audit Shared Service
- Community grants
- Garden Waste
- Leisure options
- Contact centre opening hours
- Enforcement pilot
- Fenland Hall leasing arrangements

The Council has benefited from the growth in business rates and through sharing services with a number of partners including Anglia Revenues Partnership. Significant planned efficiencies have been delivered, plus continuous improvement is being considered through Service Transformation and the Comprehensive Spending Review.

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

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

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

The Corporate Management Team has ensured data management and security standards, and has committed to sharing data lawfully with other public sector bodies to improve outcomes for Fenland's residents through the Cambridgeshire and Peterborough Information Sharing Framework.

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

- Business Plan 2016-17;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2016-17;
- Circle Housing Governance;
- Devolution
- Leisure invest to save projects
- Recycling improvements following investment

Corporate Governance

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

- Approved and monitored the actions for improvement as required in the previous Annual Governance Statement.
- Approved and monitored the Risk Management framework and corporate risk register.
- Monitored performance of Internal Audit and approved the risk based internal audit plan and Charter including requesting quarterly update reports in relation to audit.
- Noted the reports of External Audit, such as the Annual Governance Report, Annual Audit Letter, Annual Certification report, plus the external audit plan.
- Noted the Regulations of Investigatory Powers Act (RIPA) – Update Report.
- Approved and agreed to recommend to Council the future arrangements for appointing the Council's External Auditors.
- Approved the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy.
- Approved the Statement of Accounts 2015/16.
- Oversaw the maintenance of standards in financial reporting, standing and internal control.
- Endorsed a revised approach to preparation, approval and publication of the Statement of Accounts, in response to the Accounts and Audit regulations 2015, which will apply to the 2017/18 accounts.
- Received an update on cyber security.

Standards, conduct and ethical behaviour

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

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

Overview and Scrutiny

The Overview and Scrutiny Panel have:-

- Completed reviews of Council activity, in order to ensure effective and efficient service delivery and policy design, such as the Local Council Tax Support Scheme, Draft Business Plan, Medium Term Financial Strategy and Fees & Charges, the revised Garden Waste Scheme, the revised Leisure Strategy, the revised Community Right to Bid Policy, Review of the charging structure associated with Sewage Treatment works.

- Regularly reviewed the progress in delivering performance objectives of the Business Plan.

- Scrutinised external partners including Fenland Community Safety Partnership, the Police and Roddons.

Staff Committee

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

- Revision of the Health and Safety Policy.
- Proposed service reviews to ensure minimum impact on front line services and priorities, whilst delivering required savings.
- Health & Safety performance, which noted a continued low volume of accidents reported.

Internal control

The Corporate Director & Chief Finance Officer has:

- Ensured provision of timely, accurate and impartial financial advice and information to assist in decision making.
- Maintained and reported to Council the Treasury Management Strategy and legislative changes.
- Ensured arrangements are maintained for keeping under review appropriate management accounting systems, functions and controls.
- Reviewed, in conjunction with line management, the effectiveness of Internal Audit against the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards'.
- Managed the impact of localisation of business rates and council tax support.
- Reported the Medium Term Financial Strategy, Revenue Budget and Capital Programme.
- Prepared and reported the Statement of Accounts 2015/16.
- Provided an overview of legislative changes and prepared for the revised accounting timetable of the Accounts and Audit Regulations 2015.

Internal Audit has:

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

The opinion on internal control from Internal Audit is reported to the Corporate Governance Committee in the Internal Audit outturn report each year. The opinion for 2016/17 is that there is "adequate assurance as to the adequacy and effectiveness of internal controls in mitigating risks to the Council's objectives". The report includes assurance that Management have adopted plans for improvement in control where necessary and within appropriate timescales that will be followed-up to ensure further improvement is delivered.

Reviews by external inspectors:

The externally appointed auditors, Ernst & Young, issued a governance report as at September 2016 which provided an unqualified opinion on the 2015/16 statement of accounts. The report praised the management and staff of the Council, and reflected positively on the co-operation, quality of working papers and timeliness of provision of information.

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

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

The Council has continued to meet the requirements of the National Investors in People Standard following a further independent inspection during the year.

5 Governance issues and action plan

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

	Issue raised	Summary of action
1	Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding. The Council has successfully delivered £9m of savings since 2010 which is over 55% of our revenue budget through partnership arrangements, transformation and modernisation of teams, procurement and income generation. The Council must continue to be prepared to respond to financial challenges and to minimise the impact on Fenland. In 2013/14 Members approved the Council's approach to Service Transformation, to identify further efficiencies as part of the Medium Term Financial Strategy. In 2015/16 Members confirmed the Council's priorities for making future savings through the Comprehensive Spending Review. The Council recognises the potential risks of not making sufficient savings. Developing alternative delivery models, with partner organisations, can bring new risks as well as rewards. Service Transformation is based on the two principles, that the quality of service remains acceptable to the Council and that proposals generate efficiency savings towards the Council's budget gap. Central Government have proposed to localise Business Rates by 2020, replacing the current model. The changes will also end the distribution of core grant, which increases financial risk as Council's become dependent on income which may be susceptible to the impact of short-term economic shocks. The Local Government Finance Bill was not mentioned in this year's Queen's Speech placing uncertainty on arrangements moving forwards.	The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader, the Finance Portfolio Holder, and Cabinet. The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Central Government funding changes. The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models. The Comprehensive Spending Review initiative was fundamentally important in the development of the Efficiency Plan which was successfully submitted to the Department for Communities and Local Government (DCLG) in October 2016. DCLG have subsequently confirmed that the Council is now on multi year settlement, which provides some certainty regarding financial planning. The Council will now deliver the Efficiency Plan as per its submission. The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance.

	Issue raised	Summary of action
2	The Accounts and Audit regulations 2015 replace existing legislation and apply from the financial year beginning April 2015. A key element of the regulations is that the accounts preparation timetable is reduced from 2017/18. Accounts will need to be completed and approved a month earlier. Consequently both Councils and audit firms will need to change their processes and business models accordingly. The change has the potential to reduce the burden of the closure process and enable more resources to be focussed on in-year financial management. However resources will need to be committed to redesigning established processes to achieve this.	The Council has prepared for the new timetable by planning its approach in advance, aiming to complete both the 2015/16 and 2016/17 accounts to an earlier timescale to ease the transition. Attempting to deliver this stretching target has helped us to identify potential obstacles, and seek opportunities to develop improved processes. This will help ensure the Council is in a robust position for the new revised timetable which applies from the 2017/18 accounts. Officers will work with the appointed external auditors, to agree on planned approaches and to build capacity into work planning for any new working methods, which will help prepare for the new timescales for accounts preparation. Officers will work with peers and professional networks to identify good practice and alternative processes.
3	CIPFA and SOLACE have issued revised Framework for Delivering Good Governance in Local Government and this applies to Annual Governance Statements prepared for the financial year 2016/17 onwards. The purpose of the Framework is to help Local Government take responsibility for developing and shaping an informed approach to governance. This includes directing resources according to priorities, having sound and inclusive decision making, and having clear accountability in order to achieve desired outcomes for service users and communities. The Framework is reviewed periodically to ensure that it remains fit for purpose.	The Local Code of Governance and Annual Governance Statement will be reviewed to ensure that it follows the both best practice and the revised Framework for Delivering Good Governance.

	Issue raised	Summary of action
4	The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy. Examples that could affect governance arrangements with the 2017/18 financial year include: • The Accounts and Audit regulations 2015 which updates requirements for publishing financial statements. • Reforms to the New Homes Bonus and Business Rates. • The Apprenticeship Levy and the impact on managing the workforce establishment. • The Cambridgeshire and Peterborough Devolution agreement. • Central Government policy on encouraging more starter homes as an affordable housing option. • The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016. • The General Data Protection Regulations 2017.	The Corporate Management Team will respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes. Plans will be put in place to implement any new legislation.

	Issue raised	Summary of action
5	The Council could face potential increased costs and financial liabilities connected to the Local Government Pension Scheme (LGPS) and the Pilots' National Pension Fund (PNPF). The LGPS is currently working through its triennial revaluation, which will impact the 2018/19 financial year. The results of the revaluation could lead to an increase in employer contributions and annual deficit repayments. The fund's actuary is undertaking the modelling for the revaluation and the results are due later in the year.	The Chief Finance Officer is working with the LGPS actuary to understand the assumptions and modelling being used to the revaluation. The Chief Finance Officer will work with the actuary and other finance colleagues in Cambridgeshire to try and minimise any cost increases to Fenland arising from the revaluation. Cabinet and Council will approve any changes as part of the Council's budget process.
	In November 2016, because the Council no longer had any active members in the PNPF, or was likely to have in the near future, the Council triggered a 'cessation event' with the PNPF. Consequently, this will result in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules.	A new reserve was created in June 2015 for the PNPF to provide funding towards any further future financial liabilities. This reserve has been contributed to further during 2015/16 and 2016/17 which now means a total of £2.35m has been set aside for the repayment of the S75 debt liability. The Council has been notified by the PNPF that the likely exit payment will be of the order of £1.9m. Formal notification of the payment is due imminently. Provision has been made for this exit payment in the 2016/17 accounts, funded from the PNPF reserve. The external Auditors are aware of the issue. We are working with the Treasury to understand whether a capitalisation Directive can be applied. Members will be updated on both pension funds throughout the year, as and when appropriate.

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

Signed: ……………………………………………………………

Brendan Arnold

Corporate Director and Chief Finance Officer

Signed: ……………………………………………………………

Paul Medd

Chief Executive

Signed: ……………………………………………………………

Councillor John Clark

Leader, Fenland District Council

GLOSSARY OF TERMS

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

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

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

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

AUDIT COMMISSION
Auditors employed to independently audit the accounts of local authorities.

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

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

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

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

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

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

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

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

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LENDER OPTION BORROWER OPTION
A long term borrowing instrument where the initial interest rate is fixed but the lender has the 'option' to propose or impose, on pre-determined future dates a new fixed rate. The borrower has the 'option' to either accept the new rate or repay the entire loan.

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

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

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

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

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

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

PROVISIONS AND RESERVES
Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances") which every authority must maintain as a matter of prudence.

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

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

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

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

NON DISTRIBUTED COSTS
These are overheads for which no user benefits and should not be apportioned to services.

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

ABBREVIATIONS USED IN THE ACCOUNTS

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

Fenland District Council

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