AUDIT COMMITTEE

MONDAY 24 JULY 2023
6.00 PM

Bourges/Viersen Room - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

SUPPLEMENTARY AGENDA

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Committee Members:

Councillors: Haseeb (Vice Chairman), Jones, Brooks (Chair), Rangzeb, Perkins, Barkham, Elsey and Farooq

Substitutes: Councillors: Moyo, N Sandford and Strangward

Further information about this meeting can be obtained from Daniel Kalley on telephone 01733 296334 or by email – daniel.kalley@peterborough.gov.uk

Statement of Accounts 2020/21

PETERBOROUGH
CITY COUNCIL

Peterborough City Council

Statement of Accounts 2020/21

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Narrative Report

1. The Statement of Accounts

The Statement of Accounts brings together the major financial statements for the financial year 2020/21. The statements and the notes that accompany them give a full and clear picture of the financial position of Peterborough City Council.

The sections are:

- Narrative Report – An overview of the Council's financial and operational performance, main objectives, key risks and strategies for future service delivery
- Statement of Responsibilities – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- Comprehensive Income and Expenditure Statement – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- Movement in Reserves Statement – The movement in the year on the different reserves held by the Council
- Balance Sheet – The value of the assets and liabilities recognised by the Council as at 31 March 2021
- Cash Flow Statement – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties
- Notes to the Financial Accounts – The Statements are supported by technical notes
- The Collection Fund and Notes – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council
- Group Accounts - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.

The statement of Accounts been prepared in accordance with statutory requirements, detailed in:

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

2. Our City

Peterborough is one of the UK's fastest growing and successful New Towns. In 2020 the city's population was estimated at 202,259, a 13% increase since 2009, with projected population forecast to reach 214,847 by 2025.

Alongside this growth in population the local economy is buoyant, with over 7,500 registered businesses including the headquarters of companies such as CITB, British Sugar and Whirlpool. In 2020 Peterborough accounted for one third of all new business start-ups in Cambridgeshire and was the second highest in the East of England.

The Council is supporting the city's economic success with a 'Regeneration and Growth Strategy', which outlines investment of £600m across eight key development sites. This includes schemes covering North Westgate, Northminster and the University, which will provide accessibility to higher education and ensure the attainment of skills.

Peterborough is an historic town with heritage dating back as early as the 7th century. Its home to a 900-year-old Norman cathedral amongst other attractions such as the Museum and Art Gallery, Flag Fen, the Lido and Rail World.

Peterborough has a diverse and multicultural community, with over half the world's nationalities represented within the City and over 150 languages spoken.

Peterborough spans over 343km^2, covering 22 electoral wards. It is home to the Nene Park country park, amongst a host of other green open spaces, some of which hold Green Flag Awards making them some of the best open spaces in the country.

The City is positioned next to the A1(M), A47 and A11, and the East Coast mainline which is a 39-minute train ride to London. This attractive location provides easy transportation links to London and the North.

In the past year a total of 1,145 new homes were completed with an average of 1,100 new homes per year for the last five year. House prices in Peterborough now average at £243,079.

3. Our Council Services

The Council provides a breadth of services to the community and businesses. It employs 1,178 members of staff and holds key contracts with Serco, Milestone, and Aragon Direct Services who provide services on the Council's behalf.

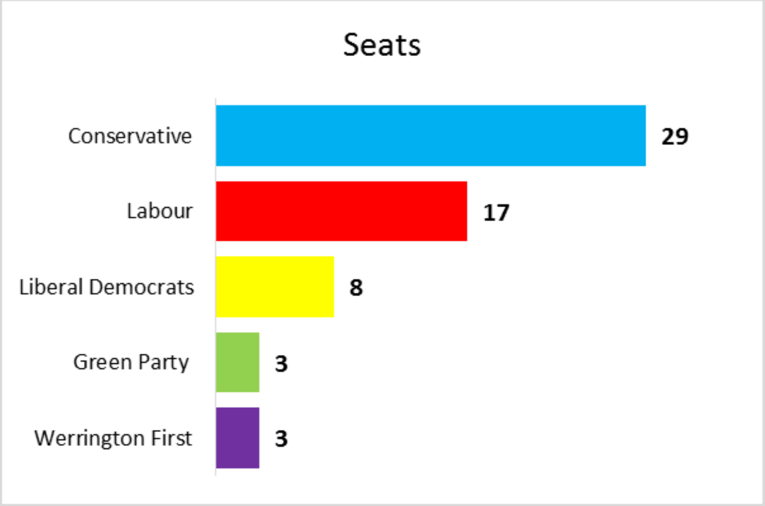
The Council prides itself in partnership working and works closely with other Cambridgeshire Local Authorities, NHS health organisations, in addition to the voluntary sector, in order to provide value for money services which deliver outcomes and meet the needs of the community.

Although the Council has faced challenges in recent years, it has continued to provide vital services, demonstrated by these key achievements from the past 12 months include:

- Looked after 363 children in care and supported a further 192 children through adoption and residency placements, providing them with more stability and permanency.
- Supported 257 homeless households in temporary accommodation, and a further 142 rough sleepers requiring accommodation due to the impact of Covid-19.
- Supported 2,203 adults to remain independent in their own home, 2,443 adults with long term care packages and 553 adults with shorter term reablement care.
- Registered the birth of 4,082 babies.
- 83.9% of the Schools in the City were rated good or outstanding by Ofsted.
- Cleared up 10,290 fly-tips.
- Collected 19,000 tonnes of recycling.
- 2,603 potholes were repaired, and 26.2 miles of roads were resurfaced.
- Maintained 562 miles of roads, 719 miles of footways, 279 miles of cycle ways, 366 structures, 24,000 streetlights and 114 set of traffic signals.
- The Council was rated 1st out of 109 other UK highways authorities for 'overall satisfaction' as part of the National Highways and Transport Survey.

4. Council Democracy

The Council has 60 councillors which make up the following political representation:



The Council's Constitution[1] sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. The Council annually selects a Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet

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[1] https://democracy.peterborough.gov.uk/documents/g3851/Public%20reports%20pack%2007th-Jun-2021%20Constitution.pdf?T=10&Info=1

Members, each with responsibility for a specific portfolio of services. The role of Cabinet is for:

- Providing leadership.
- Running services and ensuring best value is delivered.
- Implementing policies and delivering services.

The Council's Scrutiny Committees cover specific service areas, including a specific committee designed to scrutinise budget reports. These committees support the work of the Cabinet and the Council by:

- Monitoring decisions of the Cabinet and holding them to account where required.
- Allowing all Councillors, members of the public and partners to have a say, highlighting areas of concern.
- Make recommendations to Council to support the development of policies and decisions.

The Regulatory Committees are responsible for the functions which Cabinet, by law cannot undertake, or those that the Council has agreed should not be considered by Cabinet. This includes the Audit Committee, which is responsible for providing independent scrutiny of the Council's financial statements and risk management.

During 2020/21, as a result of the Covid-19 pandemic, these meetings were held virtually, with members of the public able to view the meetings live via YouTube. This change in approach ensured the safety of officers and Councillors and adherence to the social distancing requirements.

5. Peterborough's Vision and Strategic Priorities

The Council's vision is to improve the quality of life of all its people and communities and ensures that all communities benefit from growth and the opportunities it brings, to create a truly sustainable Peterborough.

The Council's priorities to deliver this vision are:

- Drive growth, regeneration and economic development to bring new investments and jobs, to support people into work and off benefits and to boost the city's economy and the wellbeing people.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and university provision, therefore keeping their talent and skills in the City.
- Safeguarding vulnerable children and adults.
- Pursuing the Environmental Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the City's carbon footprint.
- Supporting Peterborough's culture and leisure services, to deliver arts and culture services in the City.
- Keeping our communities safe, cohesive and healthy.
- To achieve the best health and wellbeing for the City.

The Medium Term Financial Strategy (MTFS) outlines how the Council will deliver these services within the resources available to the Council.

At the time of writing this report the Council has published a new Corporate Strategy 2021/2025 which Cabinet has endorsed. This is expected to be adopted by Council following a period of consultation and will replace the strategic priorities noted above.

6. Managing Organisational Performance

The Council has arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to deliver value for money services to residents. However, the Council recognises that its financial position means it cannot continue to provide services at the current levels and remain within its resource envelope.

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report (BCR) is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2020/21. During 2020/21 the BCR was enhanced to further promote engagement and understanding and facilitate strong scrutiny of the Council's financial performance. In addition, monthly financial performance reporting was completed to focus on the financial implications of the Covid-19 pandemic.

Since Summer 2019 enhanced financial and human resources planning controls have been in place to ensure the Council operates within its financial envelope. These controls include:

- all recruitment and agency requests reviewed by a panel.
- detailed business cases for all expenditure in excess of £10k.
- reviewed the effectiveness and operation of financial and human resource controls across the organisation.
- all expenditure over £1k requiring Chief Finance Officer approval.

With the added layer of financial complexity brought by the Covid-19 pandemic the financial controls were further enhanced to ensure the costs being incurred, as a result of implementing government policy or guidance, had received approval from the relevant director. A tracking tool was established to meet these additional needs, which also allowed weekly financial reporting to CMT and Cabinet and the completion of monthly financial management reports to Ministry of Housing, Communities and Local Government (MHCLG).

A Rapid Implementation Team (RIT) is in place to ensure saving plans are delivered, and new savings proposals are developed. Progress is reported to each Budget CMT meeting.

In April 2021 a smaller Executive CMT group was established, in recognition of the financial challenges facing the Council and the pace needed to develop savings proposals. This group strengthens the current officer led financial governance structure and provides an additional escalation route in order to approve work or resolve issues which may otherwise delay progress.

Budget CMT are dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new saving proposals and ensuring effective financial performance in areas such as debt, capital programme and the revenue budget, in addition to the management of financial risks to Council's budget.

All budget proposals and financial plans are scrutinised by Budget CMT, the Cabinet Policy Forum and a Cross-Party Budget Working Group. They are then considered by Cabinet and Joint Budget Scrutiny Committee, and consulted with the public and external stakeholders, prior to being recommended to Council for final approval.

The Council operates a risk management approach which is linked to the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement which is included as an annex to this document.

An officer led Capital Review Group met on regular basis throughout 2020/21. This group has the responsibility of reviewing all aspects of the Council's capital programme. This year the group has been primarily focused on reducing the capital programme to a value which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2020/21 Capital Budget to £83.0m from £158.6m in April 2020.

The Council's Treasury Management Strategy (TMS) contains the Council's Prudential Indicators, which are set each year as part of the budget setting process. These indicators are designed to assist members' overview and confirm the cost of the capital programme is sustainable. The capital programme and treasury activities are monitored throughout the year, with performance against the indicators reported to members twice a year. The final performance for these indicators is included in the Council's outturn report to Cabinet and Audit Committee.

Other key performance indicators (KPIs) include the Council's payment and debt collection performance and are contained in the outturn report to Cabinet and Audit Committee. The following are a sample of the 2020/21 KPI's reported:

- Prompt payment of invoices to suppliers – 86.2% (80.8% 2019/20) of invoices are paid promptly (within 30 days).
- Collection of debtor balances – a total of £69.7m (£66.5m 2019/20) of invoices was raised with a total of £64.4m (£64.7m 2019/20) collected, across all sundry debt.
- The collection of council tax and business rates – Council tax collection rate for was 95.16% (95.81% 2019/20) and the business rates collection rate was 81.83% (97.89% 2019/20).

7. Revenue Position

National context

Before the Covid-19 pandemic in March 2020, local government faced challenges as a result of growing demand for services, an increase in the complexity of care and support required and a reduction in funding.

The sector had been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets.

As a result of the scale of the changes required, and the impact of the Covid-19 pandemic, the Fairer Funding Review (FFR) and associated Business Rates system changes have been postponed into future years. This extends the period of financial uncertainty into the future.

Nationally, Covid-19 has had a significant impact on council finances. The latest Covid-19 financial management information analysis published by MHCLG, identified additional pressures and lost income of £11.9bn. This included:

- £6.9bn of cost pressures including Adult Social Care, Homelessness, supporting residents that were shielding and lost savings opportunities.
- £2.3bn income losses in respect of Business Rates and Council Tax.
- £2.8bn lost 'Sales Fees and Charges' and commercial income.

Government has supported local authorities and provided funding which has been:

- Targeted at the additional activities to be carried out.

- Targeted at areas of financial loss from social restrictions. such as the Sales Fees and Charges scheme or the Tax Income Guarantee Scheme.
- Un-ringfenced Covid-19 Response fund, to support the additional day-to-day cost or responding to the pandemic.

For Local Authorities, including Peterborough, financial support is required to ensure a balanced budget in 2020/21 and 2021/22. In February MHCLG confirmed conditional Exceptional Financial Support (EFS) for the Council along with eight other authorities.

Local context

The Council has been operating in challenging financial circumstances for several years, as a result of rising demand for its services, increased costs and reductions in funding from central government. Additionally, the Council has been exposed to greater levels of risk due to its low reserves balances. The Covid-19 pandemic has had a significant impact on the Council's finances in 2020/21 and is expected to continue in the longer-term as a result of the rising demand for adults and children's social care services, difficulty delivering savings plans and loss of income.

The following table shows how directorates performed against budget in 2020/21 with further detail and explanation contained in the Outturn Report[2] as presented to Cabinet on 21 June 2021 and Audit Committee on 29 July 2021.

The final revenue outturn for 2020/21 is a £4.0m underspend. This position includes a contribution to reserves.

Net Revenue Expenditure	**Revised Budget** **£000**	**Actual** **£000**	**Cont to Reserve** **£000**	**Variance** **£000**
Chief Executives	1,303	1,220	-	(83)
Governance	4,322	3,925	-	(397)
Place & Economy	21,716	22,639	109	1,032
People & Communities	72,940	80,611	1,690	9,361
Public Health	(372)	(494)	122	-
Resources	19,254	19,643	607	996
Customer & Digital Services	7,764	6,629	-	(1,135)
Business Improvement	623	692	-	69
Capital Financing	29,187	24,789	-	(4,398)
Total Expenditure	**156,737**	**159,654**	**2,528**	**5,445**
C-19 Response Fund	-	(18,665)	-	(18,665)
C-19 – SFC* & LTIGS	-	(6,015)	-	(6,015)
Financing	(156,737)	(177,728)	21,108	117
Net Expenditure	**-**	**(42,754)**	**23,636**	**(19,118)**
Contribution to C-19 Funding Reserve (see Note 16)				12,841
Contribution to C-19 Tax Income Reserve (see Note 16)				2,302
Transfer to Capacity Building Reserve				**(3,975)**

* SFC – Sales, Fees and Charges income
# LTIGS – Local Tax Income Guarantee Scheme

Movements on reserve balances are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), Note 16, page 52. This Note provides detail as to the purpose of each of the earmarked reserves.

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[2] https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4599&Ver=4 (Agenda Item 7)

Reserve Balances

The Council held General Fund and Earmarked reserves balances of £66.1m at 31 March 2021, however only £14.1m remains uncommitted, un-ringfenced and available for use for transformational investment or for any unforeseen incidents, such as a major child protection issue or other risks.

The largest contribution to reserves relates to £20.2m of Business Rates (NNDR) Section 31 grants and £15.1m funding committed to meet future expected costs as a result of Covid-19. These reserves are forecast to be fully utilised, and in the case of the Business Rates section 31 grant the full use of this reserve has been built in to the 2021/22 budget to mitigate the financial impact of the Collection Fund deficit, see The Collection Fund, page 89.

As at 31 March 2021, the balance on the General Fund is £6.0m. This was reduced to £5.1m in 2019/20, due to a timing difference in respect of Section 31 grant income associated with business rates with the general fund used to mitigate the variance in income receipt. As planned within the MTFS this has now been fully replenished.

Schools' balances totalled £4.7m at 31 March 2021, compared with £3.2m at 31 March 2020. This increase reflects a reduction in schools' expenditure as a result of school closures and social distancing restrictions resulting from Covid-19. The Council has a mechanism for reviewing the level of reserves balances for schools and allows up to 8% of their delegated budget share to be held.

The Capacity Building Reserve increased by £2.0m, which included a contribution from the final outturn position of £4.0m, off-set by funded transformational expenditure such as the work streams contained in the ICT Strategy, Adults Positive Challenge programme and Housing Needs Team. The reserve will be used to ensure that the delivery of strategic, operational and financial requirements can be met for future budget purposes.

Departmental reserves balances have increased from £5.0m to £5.4m through an increase in the Peterborough City College reserve and a combination of specific grants which have been received for projects covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m.
- Integration Area Programme (Integrated communities) £1.1m.
- Controlled Migration Fund £0.4m.
- Peterborough City College £1.8m.

Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis

The Statement of Accounts presents the Council's financial performance in two different formats:

- The Comprehensive Income and Expenditure Statement (CIES), shows revenue expenditure; income; and net expenditure for 2020/21 under proper accounting practices (see page 20).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2020/21 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 14, page 42).

Both of these formats include comparative figures for 2019/20. The statements use the Council's management structure for reporting net expenditure.

The Outturn Report does not directly correlate with the EFA due to the way movements in earmarked reserves and schools' balances are required to be reported.

8. Capital and Treasury Position

The following table shows capital budgets as agreed for the 2020/21 MTFS of £146.4m including the Invest to Save Budgets of £50.8m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £158.6m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2021 was £83.0m. This compares to the final expenditure and how this investment is to be financed of £56.8m.

Capital Expenditure	**2020/21 MTFS Budget £000**	**Revised Budget Apr 2020 £000**	**Revised Budget Jan 2021 £000**	**Actual £000**
Customer & Digital Services	4,920	5,169	4,481	1,593
People & Communities	23,214	26,424	18,809	15,439
Place & Economy	29,275	40,401	33,008	27,917
Resources	36,927	39,778	12,010	8,025
Capitalisation Direction	1,217	1,217	1,217	763
Total	**95,553**	**112,989**	**69,525**	**53,737**
Financed by:				
Grants & Contributions	26,778	32,707	30,716	29,455
Capital Receipts	-	-	-	-
Borrowing	68,775	80,282	38,809	24,282
Total	**95,553**	**112,989**	**69,525**	**53,737**
Invest to Save (100% funded from borrowing)	50,800	45,602	13,470	3,026

The revenue cost of financing the Council's borrowing totalled £16.2m in the year ending 31 March 2021, compared to £16.4m in the year ending 31 March 2020 (see Note 28, page 63).

Major projects which progressed during 2020/21 and included in the expenditure figures in the previous table are:

- Schools (including the new Manor Drive and Hampton Lakes schools and the expansion of Marshfields school) - £15.0m
- Highways - £20.8m
- The Vine: New Library and Cultural Hub- £4.0m
- Fletton Quays Hotel Loan- £3.0m
- Purchase of 88 Lincoln Road to convert into residential flats as 'next steps accommodation' to house former rough sleepers - £2.0m

Capital expenditure has been financed by grants, third party contributions, and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25, pages 34 and 59.

The Council has invested in housing, education and regeneration within the City. The Council has over the past three years enabled the City to exceed its local plan target with an additional 203 new homes (17.7% above target). Other examples of regeneration across the city include:

- In September 2020 the Council and Hawksworth Securities PLC entered an agreement to begin acquiring land at North Westgate, bringing momentum to £150m redevelopment plans for the city. The scheme will provide new homes, office premises, a hotel, and supporting retail, restaurant, café and leisure uses, set within extensive new public spaces and landscaping.
- The Council has been successful in a bid for £22.9m of the New Towns fund investment. Plans include making the city more sustainable, by encouraging low carbon living through cutting emissions, being kinder to the environment and will help

residents to maintain healthy and active lifestyles with the development of a new Activity Centre and improvements to pedestrian areas and walkways to encourage outdoor activity. As part of these plans the Council has purchased the former TK Maxx and New Look buildings for £4.0m to create a community hub in Bridge Street. The new hub, 'The Vine', will accommodate many services such as a new library, a learning resource centre, gallery, a community café, meetings rooms and support for the voluntary sector.

- Construction of the city's new university has begun. The project is being led by the Cambridgeshire & Peterborough Combined Authority, in collaboration with Peterborough City Council and Anglia Ruskin University (ARU) as the academic partner. £31.0m is the total investment into the employment-focused university (HE Company) by its shareholders, of which the Council's contribution is £1.87m. The university is on track to open in 2022 and will boost the skills, training and employment prospects of people in Peterborough and the surrounding region and increase the number of skilled workers available to local businesses. ARU Peterborough is set to open in September 2022 with 2,000 students, with numbers projected to rise to 5,000 by 2025 and 12,500 by 2030.
- The Council was successful in securing £1.3m of Next Steps Accommodation Programme funding, which will be used to fund interim and long term housing provision. The Council has already taken action with the purchase of 88 Lincoln Road, which will be used to provide 22 units. In addition, the Council is in the process of establishing a Housing Revenue Account (HRA) which will enable it to provide more permanent housing and mitigate instances of homeless families and rough sleepers within Peterborough.

Borrowing and Investments

The Council's TMS outlines the Council's approach to borrowing and investment. The main sources of borrowing are:

- the Public Works Loan Board (PLWB)
- other local authorities.

The following table shows that at 31 March 2021 the Council had net borrowings including cash and outstanding interest of £451.4m (£467.9m in 2019/20).

2019/20 *£m*		**2020/21** **£m**
103.0	Short Term Borrowing	99.5
374.6	Long Term Borrowing	370.0
(9.7)	Investments	(18.1)
467.9	**Net Borrowing**	**451.4**

The Council's cash flow position is monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £24.3m, actual gross borrowing decreased by £8.1m (net £16.5m decrease) during the year due to use of internal balances, to reduce the cost of borrowing in the short term.

This approach is consistent with the Council's Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet i.e., reserve cash balances, creditor payment timings, Covid-19 related grant income and Collection Fund tax collection.

9. Changes to Service Delivery and Operations

The Council continues to build closer working partnerships with Cambridgeshire County Council (CCC) and other neighbouring councils. The Council shares the majority of CMT roles with CCC and the sharing of resources has expanded throughout organisations with 200 shared roles, with the most recent senior role to become shared being the Head of Information Governance and Data Protection. This joint approach is increasing resilience in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the Cambridgeshire area.

In September 2020 the managed IT contract with Serco came to an end. The Council decided to bring the ICT service in-house, with all staff being TUPED over to the Council. There are a number of shared senior management roles with Cambridgeshire, with a view to working towards a full shared ICT service. The vision for future ICT and Digital services, as articulated in the ICT Strategy, is for staff to have access to ICT that supports joint working and enables secure, easy and robust sharing and collaboration through digital tools. This will be delivered on a cost-effective basis, with the minimum level of duplicate costs for equipment and system licences.

In April 2021 Dr Liz Robin, the Director of Public Health for Cambridgeshire and Peterborough announced her retirement. Her replacement, Jyoti Atri, became the new Director of Public Health, on 1 July.

In June 2020 the Council commenced the re-organisation of its Leisure and Cultural services. The Council's provider, Vivacity, served notice of termination as a force majeure arising from the impact of Covid-19 affecting its ability to continue to deliver the contracted services. In August 2020 the Council approved a decision to transfer the services to Aragon Direct Services, and City College Peterborough, with the successful transfer completing on 30 September 2020.

The response to Covid-19 has been the Councils key priority throughout 2020/21 and has involved officers responding at pace to new operations and services, whether that be promptly administering grant payments to businesses, setting up a co-ordination hub to support the community, or working closely with the NHS to contain the spread of the virus. Over this period the Council's workforce has demonstrated how adaptable it is to new roles, for those that were redeployed, and different working practices for most who have worked become fully agile, working from home all year.

10. Risks, Challenges and Mitigating Action

The Risk Management Board, led by the Director Corporate Resources meets regularly throughout the year to both challenge and support risk management across the Council and with partner organisations.

The current and substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Risks which have been identified include:

- **Demand Led Services** - the Council provides services where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. These services have faced a sharp rise in demand throughout 2020/21, with further latent demand and longer term impacts expected. These services remain under regular review and are a vital component of the Council Covid-19 recovery plan.
- **Financial Resilience** – there is the risk that Council has insufficient reserve balances to withstand further budget pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency

situation. The CMT and the RIT are progressing a work programme of financial actions and reviews to support the development of a financially sustainable position, while discussions with the government regarding financial support continue.

- **Savings Delivery** – one of the key aspects of achieving a balanced and sustainable budget is the delivery of savings plans. Covid-19 has impaired plans, with amendments being factored into the MTFS. Despite this the Council is committed to the delivery of current and future plans. These are monitored by the RIT and reported to CMT and Cabinet accordingly.
- **Business Rates, Council Tax and other fees and charges** - the Council relies on income generated from council tax, business rates and other income streams such as parking, planning. There is a risk that collection rates could decline, or growth assumptions built into the budget are too ambitious. Provisions are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis. Further risk has been placed on the Council's income streams as a result of the economy, resulting from the lockdown restrictions due to Covid-19. The Council has reviewed its bad debt provisions and increased them accordingly to mitigate the future financial risk of non-collection.
- **Local Government future funding models** – uncertainty remains regarding the future funding model for all Councils. This uncertainty creates a challenge when assessing available resources, the Council has to be able to deliver services, and inform the plans for the medium term financial strategy. The Council will continue to monitor developments from central government and input into consultations.
- **The capital programme** is partially reliant on developer contributions as well as successful bids for external funding. These funding streams are not guaranteed and could be impacted by a downturn in development or the economy. It also takes a proactive approach in bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG). The Council monitors the forecasts for sale completions and valuations to ensure the correct value has been accounted for within the MTFS.

As a result of the Covid-19 pandemic the impact of the risks identified have increased with the Council being part of the key sector responding to the crisis. Although the Council has received additional funding the financial implications are expected to exceed this in the longer term. The Council incorporated an additional £8.1m of Adults and Children's Social Care costs within the 2020/21 MTFS, however within the May 2021 BCR, the resulting pressure is already in exceeding this, causing further strain on the Council's budget.

11. Strategy for Future Sustainability

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. Despite this financial context the Council has continued to provide vital services, whilst at the same time managing demand and keeping expenditure low. It is because of this that the impact from the Covid-19 pandemic has had such a pervasive impact on the Council's finances.

Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial examination and in 2019 it implemented an enhanced series of expenditure controls.

The Council undertook an intensive period of investigative and service review work in the early 2020, to close the opening 2021/22 £14.2m budget gap. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. However, as a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.

The Council reported an additional £30.2m of expenditure and loss of income in 2020/21 in response to the Covid-19 pandemic. Whilst additional government funding has been received for these new pressures, it is expected that there will be long term impacts for which future longer-term funding is still unknown. Estimate for the longer-term impact of Covid-19 have been factored in to the 2021/22 budget with pressures such as the rising costs of Adult Social Care, Local Tax losses and the non-delivery of existing MTFS saving plans.

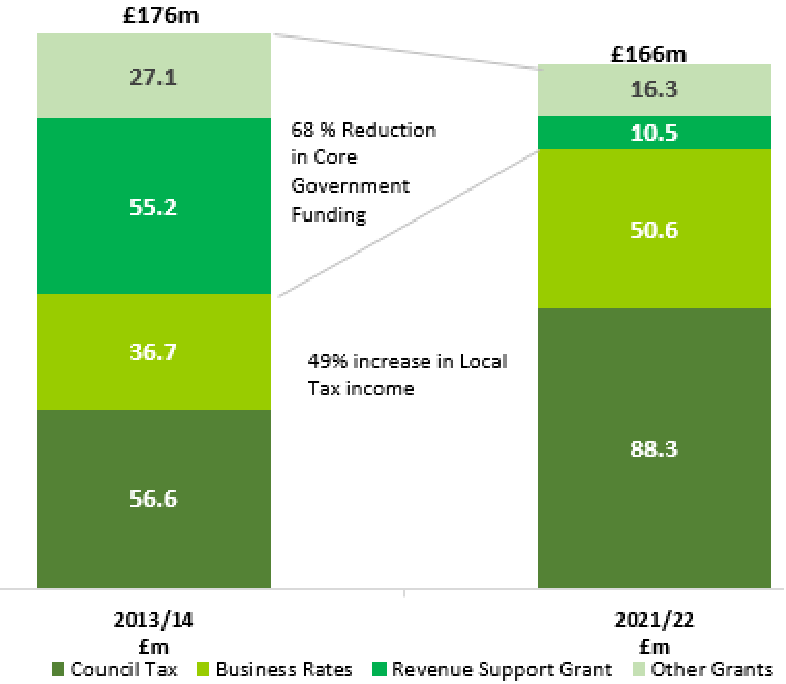
The Council's MTFS for 2021/22 was agreed at Council on 3 March 2021. The was balanced by the identification of £34.5m of budget reductions, such as the review of the Council Tax and NNDR income base assumptions and review of the cost of borrowing. However, the approved balanced budget was reliant on the use of shorter term options including:

- £8.9m one off funding to support C-19 related activity.
- £2.4m of capital receipts to repay debt.
- £13.7m of conditional EFS in the form of capitalisation direction confirmed in February from MHCLG.

The MTFS highlights future budget gaps of £26.8m in 2022/23 rising to £28.9m in 2023/24. A copy of the Council's MTFS for 2021/22 to 2023/24 is located on the Council's website[3].

The following diagram illustrates the components of the Council's income resources for 2021/22, and how these compare against the Council's income levels from 2013/14.

The Council approved an increase to council tax by 4.99% in 2021/22, this includes a general increase of 1.99% and an Adult Social Care precept of 3.0%. This was one of the measures announced as part of the Spending Review 2020 and confirmed.



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[3] https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/

within the referendum limits included in the Local Government provisional finance settlement in December 2020. The Council has a greater reliance on Council Tax funding compared to 9 years ago. In 2013/14 £55.5m of Council Tax income was generated, this has increased by 48.2% to £88.3m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

Revenue Support Grant (RSG) was increased by 0.5%, to £10.5m in 2021/22. Despite this increase, the Councils RSG has seen a reduction of 81% since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core funding.

Business rates income base has grown significantly over recent years and has continued to grow even over the Covid-19 pandemic. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The Council has benefited from £1.6m of additional income in 2020/21 as a result of a successful Business Rates pool application with the other Cambridgeshire Local Authorities. The pool considers the business rates levy owed by each of the authorities, pooling them together, which produces a lower percentage levy calculation for the councils included in the pool. The pooling arrangements have continued in 2021/22, with a £2.0m benefit currently expected for the Council.

Other grants received include social care grants and Improved Better Care Fund, which have been increasing but not at the same rate as the increase in service demand, and New Homes Bonus (NHB), an incentive-based grant to reward local authorities for the development of new housing. The level of NHB to be received by the Council remains uncertain beyond 2022/23. A consultation relating to the future of the scheme was held in Spring 2021, from which an outcome is expected later this year.

During 2021/22 the Council has been able to amend the financial strategy so that it no longer reliant on the EFS funding. This has been achieved through a combination of the following:

- The increase in Covid-19 related demand has not materialised as original anticipated
- Timely management action to mitigate budgetary pressures experienced in year i.e., parking income losses
- Implementation of 2022/23 savings proposals has enabled savings to be achieved in the current financial year
- The introduction of moratorium on non-essential expenditure for revenue and capital expenditure

The Council approved a balanced budget for 2022/23[4] at Council on 2 March 2022 which addresses the £26.8m budget gap. This has been achieved from identification of £5.1m of pressures and investments, £18.8m savings, £12.4m of funding changes, and £1m reserves use.

12. The Impact of Covid-19

The 23 March 2021 marks a year since the Prime Minister announced the first national UK lockdown in order to halt the growth of the Covid-19 virus, to protect the NHS and ultimately save lives. Since this time the Council has navigated through unprecedented times, facing uncertainty and overcoming new and difficult challenges, both operationally and financially.

Operations

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[4] MTFP 2022/23 Report- 2 March 2022 Council

The Council's response to the pandemic and the recovery of services has included the following:

- Worked collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible were supported within the community to avoid hospital admissions
- Working closely with providers and mitigating the potential impact and risks to the delivery of key services, particularly the sustainability of Adult Social Care services
- Ensuring children are supported by working with schools to support vulnerable children and those children of key workers, and ensuring those disadvantaged children have access to online resources and school's lessons from home, by purchasing additional ICT equipment The provision of accommodation for rough sleepers to ensure they could safely self-isolate
- Ensuring front line services and care workers had Personal Protective Equipment (PPE) to enable safe working and to minimise transmission and spread of the virus
- Carrying out proactive and intervention activities to minimise the spread of the virus and ensure Containment of the Outbreak. This included targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions.
- The establishment of a Coordination Hub, in partnership with Cambridgeshire County Council to provide residents, that were vulnerable or shielding, access to food, medicine and other essential support as illustrated in the following diagram:

The Council is continuing to provide additional services required in response to the Covid-19 pandemic and wider recovery, as the communities needs continue and the governments recovery road map progresses. The government have provided further grant funding in 2021/22 to support the continuation of these activities such as the Containment Outbreak Fund and Infection Control.

Financial Position

The Council reviews and reports on the financial impact of Covid-19 internally on a regular basis and reports on the position within the Councils Budgetary Control Report to Cabinet on a monthly basis. The Council, along with all other local authorities, submits a monthly Covid-19 financial impact return to MHCLG, with a total of 14 submissions being made since the start of the pandemic.

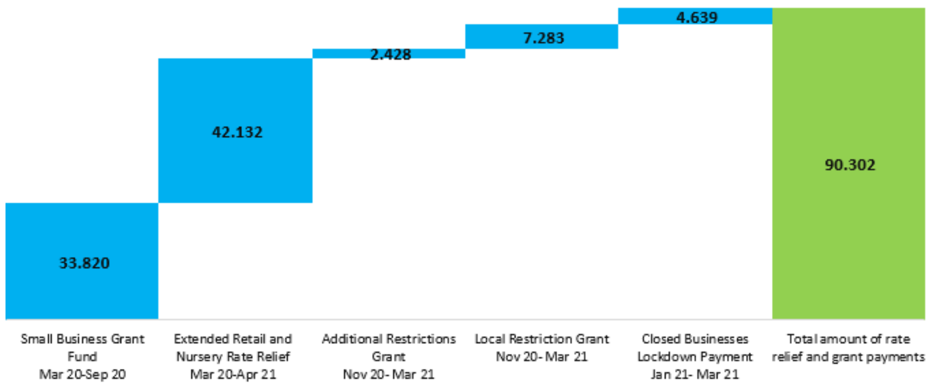
Without the additional government grants, the pressures arising as a result of Covid-19 would have fully utilised the Councils available reserves balances. Although the final outturn position in 2020/21 was a £4.0m underspend, the pandemic has resulted in longer-term implications for the future year's budgets, some of which are unquantified due to the significant levels of uncertainty. Examples of the impact Covid-19 has had on the Council's financial situation, include:

- A Council Tax deficit of £0.7m as a result of people being unable to pay at this time, and an increase in households receiving council tax support.
- A Business Rates deficit of £11.5m as a result of businesses being unable to pay the rates at this time because of the impact on the business operations. The Council is actively recovering these outstanding balances and is closely monitoring the position.
- An additional £11.7m of costs as a result of providing Adult Social Care services differently during the pandemic.
- An additional £1.9m of Children's Social Care costs, with a rising trend emerging in services designed to protect children.
- An additional cost of £2.0m to provide accommodation for all rough sleepers, in order to isolate safely as directed within government national policy.
- An inability to deliver £5.7m of existing MTFS savings plans that the Council expected to achieve this financial year, because of the need to respond to the demands of the C-19 pandemic. This creates additional budget pressures in the current and future financial years.
- A loss of income totalling £5.8m (including £2.2m of parking income resulting from reduced footfall). MHCLG have provided a scheme to compensate Councils in part for the loss of Sales Fees and Charges Income, this is included within the final position.

The Council has administered over £90.0m of Business support grants and reliefs during 2020/21 including:

- £42.1m of Extended Rate relief and Nursery Discount to 1,300 businesses and 34 nurseries.
- £4.6m Closed Business Lockdown Payment announced by the chancellor following lockdown 3.0 in January 2021.
- £33.8m Business Grant Fund (SBGF) awarded under different schemes to 2,764 local businesses.
- £9.7m Local Restrictions and Additional Restrictions Grants, including administering mandatory and discretionary schemes.

Breakdown of rate relief and business grants Administered in 2020/21(£m)



As noted, the Council has received funding for distribution or use to support the Covid-19 response and recovery. The terms and conditions of such grants has required judgement as to whether the Council was acting as agent or principal. Most grants have been considered principal as the use of the grant was for Council services or general funding and these have been reported within the CIES. In 2020/21 the Council has received £58.4m of grant funding where the Council acted as an agent for the government and administered grant funding to businesses, individuals or care providers and these are excluded from the CIES.

13. Conclusion

The Council is at a critical stage, although its financial position has much improved, its financial stability is not guaranteed. The MTFP outlines a tactical balanced budget for 2022/23, which is realistic, deliverable, albeit very challenging. This budget, along with a new, challenging MTFS to be considered in the Autumn, will be the start of achieving financial stability and putting the Council in a position where the City can grow and prosper. In addition, the tightened spending controls will ensure value for money for every pound spent is achieved

The Council continues to provide vital services to the residents of Peterborough, against the challenges of reduced funding and growing service demand, including those additional services to support the communities' additional needs as a result of the Covid-19 pandemic.

I am extremely grateful to all the finance and operational staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced during 2020/21 and still continue to face. The willingness to go above and beyond has never been more apparent, staff have adapted quickly and professionally to a new approach to role, redeployed to ensure the continuation of services or provide community response to the pandemic. I would also like to extend my gratitude to the individual volunteers and organisations that have worked closely with the Council to support the residents and businesses of Peterborough through these unprecedented times.

I hope readers will find the following pages helpful and interesting in providing an insight into the finances and performance of the Council.

14. July 2023 Update

The audit of the 2020/21 accounts concluded in July 2023. The financial position of the Council is more sustainable in 2023. The exceptional financial support of £13.7m offered to the Council through a financial directive was not needed to balance the budget in 2021/22. Officers and members of the Council worked hard to balance the budget through other funding sources, savings and reprioritisation of resources.

The annual accounts for 2021/22 and 2022/23 show a small underspend (subject to audit). However, the focus on financial sustainability remains and a balanced MFTS is a key priority for the Council. Work continues to reduce borrowing in the Capital Programme by utilising grants and other funding opportunities where possible; only borrowing where funding is committed, a statutory requirement or an invest to save opportunity. At the same time high quality services have continued to be delivered and Council is committed to providing opportunities for all Peterborough residents and businesses.

Cecilie Booth

Executive Director of Corporate Resources

Independent Auditors’ Report to the Members of Peterborough City Council

To be added following conclusion of audit – March 2022

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify the Statement of Accounts for the year ended 31 March 2021.

Signed on behalf of Peterborough City Council:

Chairperson of meeting approving the accounts:

Mike Langhorn

Date: July 2023

The Chief Financial Officer's Responsibilities

The Chief Financial 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 Chief Financial 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 Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 20 to 106 present a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Director of Corporate Resources:

Cecilie Booth

Date: July 2023

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Income and the Expenditure and Funding Analysis Note 14 and the Movement in Reserves Statement Note 16.

2019/20					**2020/21**		
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £006860*	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes (From Page 23)**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
1,168	*(15)*	*1,153*	Business Improvement		741	-	741
2,590	*(824)*	*1,766*	Chief Executives		1,876	(561)	1,315
8,711	*(959)*	*7,752*	Customer & Digital Services		8,597	(1,809)	6,788
6,846	*(2,118)*	*4,728*	Governance	4	4,960	(792)	4,168
286,485	*(184,205)*	*102,280*	People & Communities	1, 2, 6	277,111	(183,967)	93,144
55,298	*(16,973)*	*38,325*	Place & Economy		61,136	(22,473)	38,663
11,289	*(11,000)*	*289*	Public Health	6	12,257	(12,717)	(460)
84,864	*(58,653)*	*26,211*	Resources	3	77,968	(64,968)	13,000
457,251	*(274,747)*	*182,504*	**Cost of Services**		**444,646**	**(287,288)**	**157,358**
8,750	*(1,991)*	*6,759*	Other Operating Income & Expenditure	9	28,366	(7,449)	20,917
38,819	*(6,186)*	*32,633*	Financing & Investment Income & Expenditure	10	43,783	(7,168)	36,615
2,828	*(178,801)*	*(175,973)*	Taxation & Non-Specific Grant Income & Expenditure	11	2,726	(191,472)	(188,746)
507,648	*(461,725)*	*45,923*	**(Surplus) / Deficit on Provision of Services**	14	**519,521**	**(493,377)**	**26,144**
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets	15,17			(7,874)
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			88,115
		(147,043)	**Other Comprehensive Income & Expenditure**				**80,241**
		(101,120)	**Total Comprehensive Income & Expenditure**				**106,385**

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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 or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 15, page 45.

Movement in Reserves during 2019/20 and 2020/21	**Note**	**General Fund Balance**	**Schools' Balances**	**Earmarked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	15	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2019		*(6,000)*	*(3,374)*	*(31,217)*	*(7,663)*	*(1,110)*	*(49,364)*	*302,266*	*252,902*
Total Comprehensive Income & Expenditure		*45,708*	*215*	*-*	*-*	*-*	*45,923*	*(147,043)*	*(101,120)*
Adjustments between accounting basis & funding basis under regulations		*(41,067)*	*-*	*-*	*7,663*	*152*	*(33,252)*	*33,252*	*-*
Net Increase / Decrease before Transfers to Earmarked Reserves		*4,641*	*215*	*-*	*7,663*	*152*	*12,671*	*(113,791)*	*(101,120)*
Transfers to / (from) Earmarked Reserves		*(3,753)*	*-*	*3,753*	*-*	*-*	*-*	*-*	*-*
(Increase) /Decrease in 2019/20		*888*	*215*	*3,753*	*7,663*	*152*	*12,671*	*(113,791)*	*(101,120)*
Restated Balance at 31 March 2020 Carried Forward		*(5,112)*	*(3,159)*	*(27,464)*	*-*	*(958)*	*(36,693)*	*188,475*	*151,782*
Balance at 1 April 2020		**(5,112)**	**(3,159)**	**(27,464)**	**-**	**(958)**	**(36,693)**	188,475	**151,782**
Total Comprehensive Income & Expenditure		27,706	(1,562)	-	-	-	26,144	80,241	106,385
Adjustments between accounting basis & funding basis under regulations		(64,506)	-	-	-	(2,527)	(67,033)	67,033	-
Net Increase before Transfers to Earmarked Reserves		(36,800)	(1,562)	-	-	(2,527)	(40,889)	147,274	106,385
Transfers to / (from) Earmarked Reserves		35,911	-	(35,911)	-	-	-	-	-
(Increase) / Decrease in 2020/21		**(889)**	**(1,562)**	**(35,911)**	**-**	**(2,527)**	**(40,889)**	147,274	**106,385**
Balance at 31 March 2021 Carried Forward		**(6,001)**	**(4,721)**	**(63,375)**	**-**	**(3,485)**	**(77,582)**	**335,749**	**258,167**

Balance Sheet

- The Balance Sheet shows the value 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 reserve 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 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 the 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, page 21, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020	**Balance Sheet**	**Notes**	**31 March 2021**
£000			**£000**
385,895	Property, Plant & Equipment	17	364,251
181,173	Highways Infrastructure	18	187,936
23,551	Investment Property	19	21,823
8,405	Intangible Assets	20	5,971
-	Long term Investment	28	1,870
22,909	Long term Debtors	28, 29	5,183
621,933	**Long Term Assets**		**587,034**
3	Short Term Investments	28, 30	-
461	Inventories	31	466
60,039	Short Term Debtors	33	106,276
10,437	Cash & Cash Equivalents	39	18,184
2,015	Assets Held for Sale	21	-
72,955	**Current Assets**		**124,926**
(106,457)	Short Term Borrowing	28	(98,423)
(69,163)	Short Term Creditors	32	(107,594)
(10,174)	Provisions	34	(9,445)
(185,794)	**Current Liabilities**		**(215,462)**
(221,488)	Long Term Creditors (Pension Liability)	7	(314,386)
(356)	Provisions	34	(456)
(374,587)	Long Term Borrowing	28	(374,587)
(44,807)	Other Long Term Liabilities	28,29	(43,619)
(19,638)	Capital Grants Receipts in Advance	35	(21,620)
(660,876)	**Long Term Liabilities**		**(754,668)**
(151,782)	**Net (Liabilities) / Assets**		**(258,169)**
(36,693)	Usable Reserves	15	(77,580)
188,475	Unusable Reserves	15	335,749
151,782	**Total Reserves**		**258,169**

Cecilie Booth – Executive Director of Corporate Resources July 2023

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 between operating, investing and financing activities. 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.

2019/20 *£000*	**Cash Flow Statement**	**Notes**	**2020/21** **£000**
45,923	Net (Surplus) / Deficit on the Provision of Services		26,144
(76,960)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(113,117)
(4,275)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		25,380
(35,312)	**Net Cash Flows from Operating Activities**		**(61,593)**
60,536	Investing Activities	37	38,722
(20,393)	Financing Activities	38	15,124
4,831	**Net (Increase) / Decrease in Cash & Cash Equivalents**		**(7,747)**
15,268	Cash & Cash Equivalents at the Beginning of the Reporting Period		10,437
(4,831)	Increase / (Decrease) in Cash and Cash Equivalents		7,747
10,437	**Cash & Cash Equivalents at the end of the Reporting Period**	39	**18,184**

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2020/21 and for the previous financial year are as follows:

Schools Budget Funded by Dedicated Schools Grant 2020/21	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2020/21 before Academy and high needs recoupment			(223,518)
Academy and high needs figure recouped for 2020/21			134,042
Total DSG after Academy and high needs recoupment for 2020/21			(89,476)
Brought forward from 2019/20			(3,398)
Carry forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	(41,194)	(51,680)	(92,874)
In year adjustments	277	-	277
Final budgeted distribution for 2020/21	(40,917)	(51,680)	(92,597)
Less actual central expenditure	37,684	-	37,684
Less actual ISB deployed to schools	-	51,680	51,680
Carry Forward to 2021/22	**(3,233)**	**-**	**(3,233)**
Total amount carried forward			**(3,233)**

The Council's expenditure on running schools is funded primarily by DSG provided by the Education and Skills Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Schools Budget Funded by Dedicated Schools Grant 2019/20	*Central Expenditure £000*	*ISB £000*	*Total £000*
Final DSG for 2019/20 before Academy and high needs recoupment			*(210,940)*
Academy and high needs figure recouped for 2019/20			*120,076*
Total DSG after Academy and high needs recoupment for 2019/20			*(90,864)*
Brought forward from 2018/19			*(2,973)*
Carry forward to 2020/21 agreed in advance			*-*
Agreed initial budgeted distribution in 2019/20	*(40,923)*	*(52,914)*	*(93,837)*
In year adjustments	*234*	*-*	*234*
Final budgeted distribution for 2019/20	*(40,689*	*(52,914)*	*(93,603)*
Less actual central expenditure	*37,290*	*-*	*37,290*
Less actual ISB deployed to schools	*-*	*52,914*	*52,914*
Carry Forward to 2020/21	*(3,399)*	*-*	*(3,399)*
Total amount carried forward			*(3,399)*

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2020/21 was £14.9m (2019/20 £14.2m) of which £7.6m is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element is made up of £2.0m directly received capital funding and £5.4m retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2020/21 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the People & Communities line in the CIES of £0.9m (2019/20 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2020/21 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.4m (2019/20 £0.4m) to this pooled partnership is shown in the People & Communities line in the CIES.

Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this pooled partnership of £1.5m (2019/20 £1.5m) is shown in the People & Communities line in the CIES.

3 External Audit Costs

The Council has incurred the following cost on the audit of the Statement of Accounts provided by the Council's external auditors, Ernst and Young LLP (EY).

2019/20 £000*	**External Audit Costs**	**2020/21 £000**
213	Fees payable with regard to external audit services carried out by the appointed auditor	317
-	Other services provided by the appointed auditor	-
213	**Total**	**317**

* 2019/20 figures have been restated to reflect the final payment previously stated at £161k

The increase in fees for 2019/20 is contained in the EY 'Audit Results Report' which was considered at Audit Committee on 16 November 2020. On page 41 of this report, it details that the increase in fee is based on the following factors:

- the lowering of the audit materiality from the prior year and the resulting impact on audit testing across the primary
- financial statements and supporting notes
- the need to scope and audit the group accounts for the first time
- the need to audit significant and heighted risk as presented in the report
- the need to engage in EY Real Estate to review the valuation of Depreciated Replacement Cost assets

- the need to engage EYs advisory experts to support its assessment of the Council's future plans to address concerns on its future financial resilience

The 2019/20 restatement reflects the additional audit fees of £25k incurred in relation to:

- the need to engage in EY Real Estate to review the RICs guidance to valuers which considered the uncertain impact to asset valuations following Covid-19
- the audit adjustments identified in the EY report
- the impact of the McCloud consultation on the pension liability
- the impact of Covid-19 on EY's audit procedures and the Council's going concern assessment

4 Member's Allowances

The level of member allowances is recommended by an independent panel. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis. The table shows amounts paid to members which is less this year due the reduced number of members.

2019/20 *£000*	**Member's Allowances**	**2020/21** **£000**
869	Allowances	856
-	Expenses	-
869	**Total**	**856**

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £0.2m (2019/20 £2.6m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the table.

Restated *2019/20** *£000*	**Termination Benefits**	**2020/21** **£000**
141	Business Improvement and Development	-
376	Chief Executive	-
198	Customer & Digital Services	-
76	Governance	-
665	People & Communities	148
143	People & Communities (Schools)	67
518	Place & Economy	6
37	Public Health	-
253	Resources	-
2,407	**Total**	**221**

** restated to reflect one employee being redeployed to a new role and the extension of two employees leave dates (increasing the exit package), to provide additional capacity for the Council's C-19 response.*

The number of packages agreed, and the value of those packages are analysed in the following tables, in bands of £20k up to £100k and £50k thereafter (some bands are combined to avoid disclosing individual payments).

Termination and Exit Packages

Compulsory No.	**Voluntary** No	**Total** No.	**Bands**	**Compulsory** £000	**Voluntary** £000	**Total** £000	Pension Strain inc. in total* £000
Termination and Exit Packages 2020/21							
-	22	22	£0 - £19,999	-	141	141	2
-	3	3	£20,000 - £39,999	-	80	80	-
-	-	-	£40,000 - £59,999	-	-	-	-
-	-	-	£60,000 - £79,999	-	-	-	-
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £150,000 +	-	-	-	-
-	**25**	**25**	**Total**	**-**	**221**	**221**	**2**
Termination and Exit Packages 2019/20							
1	*33*	*34*	*£0 - £19,999*	*3*	*239*	*242*	*-*
-	*43*	*43*	*£20,000 - £99,999*	*-*	*1,883*	*1,883*	*478*
-	*2*	*2*	*£100,000 - £150,000 +*	*-*	*282*	*282*	*198*
1	*78*	*79*	*Total*	*3*	*2,404*	*2,407*	*676*

** Pension Strain included in total is the amount paid to the Local Government Pension Scheme, see Note 7 for further information*

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of members' pensionable salaries through the DSG allocation (Note 1).

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

The Scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21 the Council paid £6.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7%. The figures for 2019/20 were £5.0m and 16.5% of pensionable pay from April to August 2019 and 23.7% from September 2019.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in Note 7. The Council is not liable to the Scheme for any other entities' obligations under the plan.

NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care and the employees of the Public Health Service. Details of the benefits payable under these provisions can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pensions.

The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable participating bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In 2020/21 the Council paid £108k to NHS Pensions in respect of employee's retirement benefits, representing 22.4% of pensionable pay. The figures for 2019/20 were £89k and 14.4%.

7 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the costs of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Employee contribution rates are tiered according to an employee's pay band. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no fund assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

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

The following table outlines the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2019/20 £000	**Comprehensive Income & Expenditure Statement**	**2020/21 £000**
	Cost of Services:	
-	2019/20 Pension Adjustments	132
-	2019/20 Interest Income Adjustment	6
25,170	Current service cost	18,304
112	Past service cost	104
(2,930)	Effect of settlements	(5,488)
	Financing & Investment Income & Expenditure	
(11,678)	Interest Income on Scheme Assets	(10,609)
19,750	Interest Cost on Defined Benefit Obligation	15,731
30,424	**Total post-employment benefit charged to the Deficit on the Provision of Services**	**18,180**
	Other employment benefit charged to the CIES	
-	2019/20 Pension Adjustments	2,551
35,450	Return on plan assets (excluding the amount included in the net interest expense)	(104,951)
(16,886)	Actuarial gains and losses arising on changes in demographic assumptions	10,973
(64,313)	Actuarial gains and losses arising on changes in financial assumptions	187,216
(81,170)	Other Experience	(7,288)
(69)	Adjustment to actuarial estimate contribution	(386)
(126,988)	Total Remeasurements Recognised in CIES	88,115
(96,564)	**Total post-employment benefit charged to the CIES**	**106,295**
	Movement in Reserves Statement	
96,564	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(106,295)
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,983	Employer's contributions payable to scheme	13,397
110,547	**Total Movement in Reserves Statement**	**(92,898)**

31 March 2020 £000	**Pensions Assets and Liabilities Recognised in the Balance Sheet**	**31 March 2021 £000**
460,698	Fair Value of Employer Assets	584,461
(662,350)	Present Value of Funded Liabilities	(877,923)
(19,836)	Present Value of Unfunded Liabilities	(20,926)
(221,488)	Total net liability	**(314,388)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £322m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 15, page 45. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2020 £000	**Reconciliation of the Fair Value of the Scheme Assets**	**31 March 2021 £000**
487,223	Opening fair value of Scheme Assets	460,698
-	2019/20 Adjustment to Fair Value of the Scheme Assets	(2,560)
11,678	Interest Income	10,609
(35,450)	Return on plan assets, excluding the amount included in the net interest expense	104,951
(1,840)	Effect of Settlements	(3,743)
13,983	Contributions from Employer	13,395
69	Adjustment for Actuarial estimated Employer Contributions	386
3,539	Contributions from Employees	3,460
-	Effect of Business Combinations and Disposals	15,393
(18,504)	Benefits Paid	(18,128)
460,698	Closing Fair Value of Scheme Assets	**584,461**

The deficit on the local government scheme will be made good by contributions over the remaining working life of employees i.e. before payments fall due), as assessed by the scheme actuary.

31 March 2020 £000	**Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)**	**31 March 2021 £000**
819,258	Opening Liability at 1 April	682,186
-	2019/20 Adjustment to Present Value of the Scheme Liabilities	127
25,170	Current Service Cost	18,304
19,750	Interest Cost	15,731
3,539	Contributions from Scheme Participants	3,460
-	Effect of Business Combinations and Disposals	15,393
(81,199)	Actuarial gains/losses arising from changes in financial assumptions	187,216
-	Actuarial gains/losses arising from changes in demographic assumptions	10,973
(81,170)	Other experience	(7,288)
(4,770)	Liabilities Extinguished on Settlements	(9,231)
112	Past Service Costs including curtailments	104
(18,504)	Benefits Paid	(18,128)
682,186	Closing Liability at 31 March	**898,847**

In line with the Accounting Standard, the 'Actuarial gains/losses arising from changes in financial assumptions in the table above is identified separately in the Pensions Note as at the Accounting Date, the real discount rate (discount rate net of inflation) has fallen compared to the previous year's Accounting Date. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. In isolation, this will result in a significant loss on the Employer's balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a typical employer, this could be of the order of 25% of obligations.

The following table details the composition of the Scheme Assets into classes that distinguish the nature and risks of those assets. All of the assets have quoted prices in active markets apart from the asset categories Private Equity, Investment Funds and Unit Trusts.

31 March 2020 £000	**Local Government Pension Scheme Assets comprised**	**31 March 2021 £000**
20,537	Debt Securities – Government Bonds	23,591
31,427	Real Estate	35,646
32,849	Private Equity	54,406
-	Derivatives	(6,914)
	Investment Funds and Unit Trusts	
302,928	Equities	347,947
31,522	Bonds	64,688
35,511	Infrastructure	49,040
70	Other	-
454,844	Sub-total Investment Funds and Unit Trusts	568,404
5,854	Cash and Cash Equivalents	16,057
460,698	**Total Assets**	**584,461**

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 Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund. The assessment was based on the latest full valuation of the scheme as at the 31 March 2019.

The significant assumptions used by the actuary are shown in the following table.

31 March 2020	**Mortality Assumptions**	**31 March 2021**
	Longevity at 65 for Current Pensioners:	
22.0	Men (years)	22.2
24.0	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
22.7	Men (years)	23.2
25.5	Women (years)	26.2
	Financial Assumptions	
2.7%	Rate of inflation	2.7%
1.9%	*Rate of increase in pensions*	*2.9%*
2.4%	*Rate of increase in salaries*	3.4%
2.3%	*Rate for discounting scheme liabilities*	2.0%
25.0%	*Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service*	25.0%
64.0%	*Take-up of option to convert annual pension into retirement lump sum-post April 2008 service*	64.0%

The valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges and fire fighters’ schemes as part of the reforms amounted to unlawful discrimination and therefore the changes have now been accounted for in 2020/21 Actuarial Report.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 44.

Impact on the Council’s Cash Flows

The Council’s contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2019, and their recommendations have been implemented from April 2020. The actuary has recommended a combination of a stable employer contribution percentage at 17.4% along with a cash lump sum into the fund of £1.9m for the current and following two years. The Council anticipates to pay £11.1m expected contributions to the scheme in 2021/22 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council’s Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2022 the results of which will be implemented in 2023/24 financial year.

8 Officers’ Remuneration

The number of employees whose remuneration was £50,000 or more in bands of £5,000 is shown in the following table. The table includes the Senior Employees who are also disclosed in the following pages.

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds. The bands include those employees who have received remuneration and lump sum payments during the year, but not any associated pension strain. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

The Council shares a number of posts with Cambridgeshire County Council (CCC), see Note 12. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are disclosed by way of explanation text in this note.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2020/21 was approved on 4 March 2020.

2019/20 No. of Employees			**Remuneration Band**	**2020/21 No. of Employees**		
Non Schls	*Schls*	*Total*		**Non Schls**	**Schls**	**Total**
46	*34*	*80*	£50,000 - £54,999	45	42	87
23	*13*	*36*	£55,000 - £59,999	36	25	61
15	*14*	*29*	£60,000 - £64,999	6	8	14
10	*9*	*19*	£65,000 - £69,999	8	3	11
3	*12*	*15*	£70,000 - £74,999	6	4	10
10	*2*	*12*	£75,000 - £79,999	6	5	11
4	*2*	*6*	£80,000 - £84,999	2	3	5
3	*3*	*6*	£85,000 - £89,999	5	6	11
2	*2*	*4*	£90,000 - £94,999	3	3	6
-	*1*	*1*	£95,000 - £99,999	3	1	4
1	*4*	*5*	£100,000 - £104,999	-	-	-
2	-	*2*	£105,000 - £109,999	1	3	4
-	*1*	*1*	£110,000 - £114,999	1	-	1
1	-	*1*	£120,000 - £124,999	1	-	1
2	-	*2*	£125,000 - £129,999	2	1	3
-	*1*	*1*	£130,000 - £134,999	1	1	2
-	-	-	£140,000 - £144,999	-	-	-
1	-	*1*	£145,000 - £149,999	-	-	-
-	*1*	*1*	£150,000 - £154,999	1	-	1
-	-	-	£170,000 - £174,999	1	-	1
1	-	*1*	£175,000 - £179,999	-	-	-
-	-	-	£195,000 - £199,999	-	-	-
-	-	-	£220,000 - £224,999	-	-	-
124	*99*	*223*	**Total**	**128**	**105**	**233**

Senior Employees Remuneration

The table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears. There were no Bonuses or Benefits in Kind payable during 2020/21.

Post Holder	Year	PCC Salary Cost[1]	Election duties[2]	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers)[3]	Total Remuneration (inc. Pension contributions)	Actual Final Cost to PCC[1]
Chief Executive G Beasley *see Note A*	**2020/21**	**£86,798**	**-**	**£173,596**	**£29,560**	**£203,156**	**£113,850**
	2019/20	*£85,798*	*£6,900*	*£178,497*	*£29,013*	*£207,509*	*£107,205*
Corporate Director: People & Communities W Ogle-Welbourn *see Note A*	**2020/21**	**£76,949**	**-**	**£153,898**	**-**	**£153,898**	**£87,975**
	2019/20	*£74,027*	*£1,710*	*£149,764*	*-*	*£149,764*	*£75,737*
Corporate Director: Resources	**2020/21**	**£129,893**	**-**	**£129,893**	**£22,601**	**£152,494**	**£152,494**
	2019/20	*£123,966*	*£1,960*	*£125,926*	*£21,570*	*£147,496*	*£147,496*
Assistant Director of HR and Development *see Note B*	**2020/21**	**£86,304**	**-**	**£86,304**	**£15,013**	**£101,316**	**£101,316**
	2019/20	*£82,649*	*£3,372*	*£86,021*	*£14,381*	*£100,402*	*£100,402*

1. Salary is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details. The actual final cost to PCC is shown in the final column following recharges to Cambridgeshire County Council.
2. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.

Notes to the Senior Employees Remuneration table

A – The costs of the Chief Executive and Corporate Director: People & Communities are shared with Cambridgeshire County Council (CCC) under a S113 Agreement. As they are employed by the Council costs are shown in full in the table, and 50% of the cost is recharged to CCC.

A similar arrangement is in place for the Director of Public Health, Director of Governance, Executive Director of Place & Economy, Director of Customer & Digital Services and Director of Business Improvement & Development but as these posts are employed by CCC they are shown in the table overleaf.

B - The Assistant Director of HR and Development is disclosed in the table from 1 July 2017 in accordance with the Accounts and Audit Regulations 2015 as they report directly to the Chief Executive from this date.

The following table shows 50% of the costs of the Directors who are employed and shared with CCC which are subsequently recharged except for Director of Public Health which is now recharged at 24%.

Post Holder	Year	Total PCC Recharged Costs
Director of Public Health	2020/21	£33,000
	2019/20	*£63,459*
Director of Governance	2020/21	£68,445
	2019/20	*£66,763*
Executive Director of Place & Economy	2020/21	£103,204
	2019/20	*£79,617**
Director of Customer & Digital Services	2020/21	£78,669
	2019/20	*£75,382*
Director of Business Improvement & Development	2020/21	£88,052
	2019/20	*£82,314*

** 2019/20 Part year salary*

9 Comprehensive Income and Expenditure Statement – Other Operating Income and Expenditure

2019/20 *£000*	**Other Operating Income & Expenditure**	**2020/21** **£000**
672	Parish Council Precepts	698
648	Drainage & Flood Levies	680
3,631	Integrated Transport Authority Levy (Note 12)	3,850
3,799	Losses on Disposal of Non-Current Assets	23,138
(823)	Gains on Disposal Of Non-Current Assets	(6,899)
(1,168)	Gains on Former Right To Buy Assets	(550)
6,759	**Total**	**20,917**

10 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2019/20 *£000*	**Financing & Investment Income & Expenditure**	**2020/21** **£000**
18,495	Interest Payable & Similar Charges (Note 28)	18,198
(1,498)	Interest Receivable & Similar Income (Note 28)	(1,553)
(478)	Other Investment Income	(2,161)
8,072	Pension Interest Cost & Expected Return on Pension Assets (Note 7)*	5,128
2,973	Losses on Trading Operations	3,536
(4,210)	(Gains) on Trading Operations	(3,646)
237	Losses in Fair Value of Investment Properties (Note 19)	-
-	Gains in Fair Value of Investment Properties (Note 18)	(194)
4,020	Impairment and Derecognition of Current Assets and Long Term Debtors	1,944
5,022	De-recognition of Subsidiary Assets	15,362
32,633	**Total**	**36,614**

*Includes 2019/20 Pension Adjustment

De-recognition of Subsidiary Assets represents the net assets removed from the Council's balance sheet as a result of schools transferring to Academy status.

11 Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income

2019/20 *£000*	**Taxation & Non-Specific Grant Income**	**2020/21** **£000**
	Taxation Income	
(78,415)	Council Tax Income	(82,683)
-	Business Rates Pool	(1,586)
404	NDR Levy Payment	263
2,424	NDR Tariff Payment	2,463
(48,188)	NDR Income	(24,611)
(123,775)	**Total Taxation Income**	**(106,154)**
	Non-Specific Government Grants	
(10,246)	Revenue Support Grant	(10,413)
(4,713)	New Homes Bonus	(4,701)
(4,927)	Section 31 Grant (NNDR reliefs and other	(25,180)
-	Sales Fees and Charges Compensation (C-19)	(3,713)
-	Tax Income Guarantee Compensation (C-19)	(2,302)
(5,338)	Covid-19 Response Fund	(13,333)
(25,224)	**Total Non-Specific Government Grants**	**(59,642)**
(26,974)	Capital Grants & Contributions (Note 25)	(22,950)
(175,973)	**Total Income**	**(188,746)**

During the year the Council was responsible for the administration of various grants and relief to business and individuals on behalf of Central Government. For some grant schemes the Council was acting as agent, effectively passing the money on from Central Government, had no control over the amount allocated to recipients. The transactions for such schemes do not appear in the Comprehensive Income and Expenditure Statement (CIES). For other grant schemes the Council did have control over the distribution of funding. For these schemes the Council was acting as principal and the related transactions for these schemes do appear in the CIES. Following the closure of grant schemes where the Council has acted as Agent, any unused funding awarded is returned to Central Government following a reconciliation process. Similarly, if the Council has paid out more than it received the Council will be compensated by Government. The below table provides an overall summary of the schemes and the role of the Council in their administration.

Grant Scheme	**2020/21 Grant Awarded** **£000**	**2020/21 Grant Paid Out** **£000**	**Balance** **£000**
Small Business Grant Fund	32,840	32,210	630
Local Restrictions Support Grant (Closed) November Lockdown	2,872	1,574	1,298
Local Restrictions Support Grant (Closed) Addendum Tier 2 and Tier 4	1,768	957	811
Local Restrictions Support Grant (Christmas Support Payments for wet-led pubs)	51	31	20
Local Restrictions Support Grant (Closed) January lockdown	4,308	2,322	1,985
Local Restrictions Support Grant (Closed) Extended lockdown 16th Feb-31 March	4,513	2,399	2,113
Closed Businesses Lockdown Payment (CBLP) - January Lockdown	8,613	4,639	3,974
Test and Trace self-isolation grant	425	294	131
Infection Control Fund	1,313	1,313	0
Infection Control Fund - round 2	1,389	1,389	0
Adult Social Care Rapid Testing Fund	348	348	0
	58,438	**47,476**	**10,962**

Grant Amount 19/20 £000	Grant Name	Grant Amount 20/21 £000
	Revenue	
90,673	Dedicated Schools Grant	86,101
45,610	Mandatory Rent Allowances: subsidy	44,063
4,778	S31 Business Rate relief Grants	25,170
10,620	Public Health grant	11,124
10,246	Revenue Support Grant	10,413
5,345	Improved Better Care Fund	7,260
4,731	Private Finance Initiative	4,731
4,713	New Homes Bonus	4,701
1,356	Social Care Support Grant	4,679
4,466	Pupil Premium Grant	4,276
3,087	Cambridgeshire & Peterborough Combined Authority Transport Levy	3,138
0	Local Tax Income Guarantee Scheme	2,302
1,072	Teachers' Pension Grant	2,014
26,794	Other	27,360
	Covid 19 Grants and Contributions:	
0	Covid-19 Support Grant	13,334
0	Sales Fees and Charges Income Support Grant	3,713
0	Additional Restrictions Grant	2,428
213,490	**Total**	**256,807**
	Capital	
9,522	Local Transport Plan funding passported via Combined Authority	8,631
604	Pothole Action and Challenge Fund passported via Combined Authority	2,353
16,369	Schools Capital Grants	9,127
0	Towns Fund	4,905
7,820	S106, CIL and other third party contributions	5,785
1,971	DFG Disabled Facilities Grant	1,971
72	Other	925
36,359	**Total**	**33,697**
249,849	**Total**	**290,504**

12 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 the 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. The disclosures do not include transactions with related parties that the Council has no discretion over such as council tax and rates payments, the award of benefits and Nursery Education Funding payments whose terms apply commonly across the local population and for which the related party would have a duty or entitlement if the relationship did not exist.

Central Government

The UK Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework, within which the Council operates, provides 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 the table of Expenditure and Income Analysed by Nature in Note 14.

Members

The current Register of Members' Interest is available for public inspection at the Town Hall by request (2020/21 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 60 Councillors 3 declarations of related party interests were not received by 25 June 2021.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2020/21 is shown in Note 4.

Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have related party transactions with the Council in the last financial year, which although not material to the Council are considered material to the organisation providing the services. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts.

- Cllr W Fitzgerald is noted as a person with significant control of CAP – Radio Production and Media Buying Services Ltd which the Council paid £51k for COVID-19 related services during 2020/21.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £79k for services during 2020/21.
- Cllr M Cereste is a Director of Tower Properties (Peterborough) Ltd to which the Council paid £36k for the lease of residential properties in 2020/21
- Cllr M Farooq received £28k from the Council for the lease of residential properties in 2020/21.
- Cllr I Walsh received £8k from the Council for the lease of a residential property in 2020/21.
- Cllr J Goodwin was a partner of Worldwide Training Partnership which the Council paid £23k for services during 2020/21.

Members and officers are appointed by the council as representatives to its group companies and to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1) and is also available for public inspection at the Town Hall by request. The only significant transactions that have taken place with these bodies during 2020/21 which are not disclosed elsewhere are with Vivacity and City Culture Peterborough.

Vivacity

Vivacity was an independent, not-for-profit organisation with charitable status which since 1 May 2010 until 30 September

2020 managed many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement (FMA). During 2020/21 the Council spent £1.2m on services with Vivacity (2019/20 £2,6m) and received £837k from Vivacity for services (2019/20 £1.3m). Vivacity served notice of termination of the FMA on 18 June 2020 as regulations under the Coronavirus Act 2020 constituted a force majeure which prevented performance of the FMA services for more than 90 days.

City Culture Peterborough Ltd

City Culture Peterborough Ltd was established on 24 August 2020 and was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. It operates services on behalf of the Council through a Service Level Agreement. During 2020/21 the Council paid £1.0m for services provided by City Culture Peterborough Ltd.

Other Public Bodies (subject to common control by central government)

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of:

- Legal services to Rutland County Council and Fenland District Council
- Regulatory services to Rutland County Council
- Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council
- Neighbourhood planning service to North Kesteven District Council and East Cambridgeshire District Council
- CCTV services to Fenland District Council from January 2020

The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities.

These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature, except to the arrangements with Cambridgeshire County Council and Cambridgeshire and Peterborough Combined Authority (as follows).

Cambridgeshire County Council

The Council shares its Chief Executive, other senior staff and a range of services with Cambridgeshire County Council (CCC) to generate savings for the mutual benefit of both councils. Services shared include Public Health and Social Care Commissioning, Children and Adult Social Care management structures and Regulatory Services. During 2020/21 the Council paid £14.0m to CCC (2019/20 £8.1m) and received £5.9m from CCC (2019/20 £3.1m).

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017 and from 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and regulations came into force in October 2018 enabling the CPCA to levy the Council for the cost of delivering transport functions. During 2020/21 the services were delivered through both Cambridgeshire County and Peterborough City Councils and the levy charged was equal to the budgeted cost for these services. The Council has been providing Legal and Finance Systems services to support CPCA.

During 2020/21 the Council received £11.2m from CPCA for services provided, costs incurred and grants (£10.1m 2019/20).

Entities Controlled or Significantly Influenced by the Council

The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge. It provides access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 to 30 September 2020 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity but from 1 October 2020 the cultural services and management of the Charity were transferred to City Culture Peterborough Ltd. However, the Council remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2020/21 due to the restrictions in place there was no fund raising activity (2019/20 £7k was raised).

Where the Council has substantial interest in companies and relevant transactions and balances, these are detailed in Note 13.

13 Interest in Companies and Partnerships

The Council has interests in a number of subsidiaries, Joint Ventures and associated companies. Summary financial information of these companies and related party transactions with the Council disclosed in the following text.

Opportunity Peterborough Limited

Opportunity Peterborough Limited is a wholly owned subsidiary of Peterborough City Council. The company exists to "assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough".

The net assets of the company are £196k (2019/20 £253k) and it made a loss in year of £57k (2019/20 profit of £52k). The Council made a funding contribution to the company of £140k (2019/20 £140k).

Blue Sky Peterborough Limited

Blue Sky Peterborough Limited is a wholly owned subsidiary of Peterborough City Council. The company was incorporated on 21 September 2011, and exists to "deliver renewable energy solutions and energy efficiency for Peterborough City Council".

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2021 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

Peterborough Investment Partnership LLP is a limited liability partnership, and the members are Peterborough City Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled by the Council and Peterborough Partnership PCC Ltd and was incorporated on 24 December 2014. The

Partnership exists to secure regeneration of key city centre sites with capital market investors.

The net assets of the Partnership at 31 March 2021 are £1.3m (£1.2m in 2019/20) and the Partnership made a net profit in year of £98k (net loss in 2019/20 of £269k). During 2020/21 the Council paid £25k for services (2019/20 £0) from the Partnership and received £94k in 2020/21 for services (2019/20 £339k).

Empower Community Interest Company (CIC)

The members of Empower Peterborough Community Interest Company are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties, and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council.

The net assets of the company are estimated at £9k (2019/20 £11k) and it made an estimated loss in year of £2k (2019/20 loss of £2k).

NPS Peterborough Ltd

NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council.

The net assets of the company are £546k (2019/20 £420k) and it made a profit in year of £163k (2019/20 profit of £198k). During the year the Council spent £2.2m on services with the company (2019/20 £2.3m) and received £255k for services (2019/20 £214k).

Medesham Homes LLP

Medesham Homes LLP is a limited liability partnership, and the members are CKH Developments Limited (A member), Medesham Limited (B member) and Peterborough City Council (A member). The partnership is controlled 50:50 by the A members, CKH Developments Limited and Peterborough City Council, and was incorporated on the 25 November 2016. The partnership was incorporated with the objectives to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups.

The net assets of the partnership are £483k (2019/20 £160k) and it made a profit of £323k (2019/20 profit of £64k). During 2020/21 the Council made a capital grant of £400k to Medesham Homes LLP for the provision of homes for affordable rent (2019/20 £7.7m) and received £16k for services, (2019/20 received £420k for the purchase of property).

Medesham Limited

Medesham Limited was incorporated with the purpose of holding interests in corporate entities; in relation to or as subsidiaries of Medesham Homes LLP. CKH Developments Ltd holds one B share of £1, and Peterborough City Council holds one A share of £1 with both shares ranking equally.

Peterborough HE Property Company Ltd

Peterborough HE Property Company Ltd is an associated company of Peterborough City Council. The company was incorporated on the 19 June 2020 and the Council received £1.9m Ordinary B shares on the 23 December 2020. The company has a board of four directors, of which the Council has one representative director who was appointed on the 23 December 2020. The Company is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough.

The net assets of the company are £26.4m and it made a net loss in the year of £314k.

Peterborough Limited

Peterborough Limited is a wholly owned subsidiary of Peterborough City Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and Peterborough Ltd, using the Vivacity branding to deliver Leisure Services. It was incorporated on the 31 July 2018. The company is a Local Authority Trading Company (LATCo) and has been set up as a Teckal company, which means that at least 80% of its income will come from the Council. The company is limited by shares, and the share capital of the company is £1.

Peterborough Ltd has been consolidated into the Group Accounts of the Council, please see page 107 for further details.

14 Expenditure and Funding Analysis and Subjective Analyses

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

	2019/20					**2020/21**	
Expenditure Chargeable to the General Fund	*Adjustments between the Funding and Accounting Basis (Note 15)*	*Net Expenditure in the CIES*	**Expenditure and Funding Analysis (EFA)**	**Notes (From Page 23)**	**Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis (Note 15)**	**Net Expenditure in the CIES**
£000	*£000*	*£000*			**£000**	**£000**	**£000**
1,071	*82*	*1,153*	Business Improvement		691	50	741
1,584	*182*	*1,766*	Chief Executives		1,220	95	1,315
7,784	*(32)*	*7,752*	Customer & Digital Services		6,629	159	6,788
4,393	*335*	*4,728*	Governance	4	3,926	242	4,168
78,777	*23,488*	*102,265*	People & Communities	1, 2, 6	77,994	15,150	93,144
21,146	*19,825*	*40,971*	Place & Economy		23,528	15,135	38,663
241	*48*	*289*	Public Health	6	(495)	35	(460)
44,948	*(18,737)*	*26,211*	Resources	3	42,596	(29,596)	13,000
159,944	*25,191*	*185,135*	**Cost of Services**		**156,089**	**1,269**	**157,358**
(152,857)	*13,645*	*(139,212)*	Other Income & Expenditure	9, 10, 11	(194,451)	63,237	(131,214)
7,087	*38,836*	*45,923*	**(Surplus) / Deficit on Provision of Services**		**(38,362)**	**64,506**	**26,144**
(40,591)			Opening General Fund Balance	15	(35,735)		
4,856			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		(38,362)		
(35,735)			**Closing General Fund Balance***	15	**(74,097)**		

2019/20					2020/21			
Adjustments for Capital Purposes [1]	Net change for the Pensions Adjustments [2]	Other Differences [3]	Total Adjustments	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts**	**Adjustments for Capital Purposes [1]**	**Net change for the Pensions Adjustments [2]**	**Other Differences [3]**	**Total Adjustments**
£000	£000	£000	£000		**£000**	**£000**	**£000**	**£000**
-	82	-	82	Business Improvement	-	44	6	50
-	183	(1)	182	Chief Executives	-	87	8	95
(140)	123	(15)	(32)	Customer & Digital Services	-	123	36	159
-	332	3	335	Governance	-	192	50	242
13,297	9,050	1,141	23,488	People & Communities	11,267	4,696	(814)	15,149
19,006	704	115	19,825	Place & Economy	15,617	455	(937)	15,135
-	47	1	48	Public Health	-	32	3	35
12,843	(2,154)	(29,426)	(18,737)	Resources	27,364	(5,974)	(50,986)	(29,596)
45,006	8,367	(28,182)	25,191	**Cost of Services**	**54,248**	**(345)**	**(52,634)**	**1,269**
(21,025)	8,076	26,594	13,645	Other income and expenditure from the EFA	(20,035)	5,128	78,144	63,237
23,981	16,443	(1,588)	38,836	**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services**	**34,213**	**4,783**	**25,510**	**64,506**

[1] Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and deducts the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions as these are not chargeable under generally accepted accounting practices, and for:

- *Other Operating Income & 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 gains and losses in Fair Value of Investment Properties are added in.*
- *Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.*

[2] 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.*

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

- *For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts*
- *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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.*
- *A number of items which are reported against services in the management accounts but are shown as Other Income and Expenditure in the CIES are adjusted including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments, and Traded Services.*

2019/20 Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	**Segmental analysis of certain Items of Income and Expenditure shown net in the EFA**	**2020/21** **Revenues from External Customers** **£000**	**Interest Revenue** **£000**	**Interest Expense** **£000**
(15)	-	-	Business Improvement	-	-	-
(294)	-	-	Chief Executives	(250)	-	-
(849)	-	*14*	Customer & Digital Services	(1,806)	-	-
(952)	-	-	Governance	(710)	-	-
(50,093)	*(11)*	*327*	People & Communities	(49,490)	(4)	311
(14,459)	*9*	*1*	Place & Economy	(12,243)	5	8
(380)	-	-	Public Health	(727)	-	-
(13,622)	*(1,496)*	*18,153*	Resources	(10,425)	(1,554)	17,878
(80,664)	*(1,498)*	*18,495*	**Total in Cost of Services**	**(75,651)**	**(1,553)**	**18,197**

2019/20	**Expenditure & Income Analysed by Nature**	**2020/21**
£000	**Expenditure**	**£000**
126,489	Employee Expenses	107,495
12,866	Employee Expenses (Voluntary Aided and Foundation Schools) [1]	12,303
313,730	Other Service Expenses	340,048
30,880	Depreciation, Amortisation & Impairment	29,265
18,495	Interest Payments (Note 10)	18,197
237	Loss in Fair Value of Investment Properties	-
4,951	Precepts & Levies (Note 9)	5,228
507,648	Total Expenditure	**517,651**
	Income	
(81,306)	Fees, Charges & Other Service Income	(75,651)
(1,991)	Capital Receipts (Note 15)	(7,449)
-	Gain in Fair Value of Investment Properties	(194)
(1,976)	Interest & Investment Income (Note 28)	(3,713)
(78,415)	Income from Council Tax (Note 11)	(82,683)
(48,188)	NDR Income (Note 11)	(26,197)
(249,849)	Government Grants & Other Contributions	(290,504)
(461,725)	Total Income	**(493,744)**
45,923	**Deficit / (Surplus) on the Provision of Services**	**23,907**

[1] Following the reporting requirements stipulated by the Code on accounting for schools, the Council's Statement of Accounts includes an analysis of the income and expenditure of the Council's maintained schools as if it were the expenditure of the Council. However Voluntary Aided and Foundation schools' employees are not in fact employees of the Council, so they are shown separately in this note.

15 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES) 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.

- General Fund Balance - is the statutory fund into which all the receipts of the Council are required to paid in, 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, 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 – holds the proceeds from the disposal of land or other assets and repayment of loans and continues to be restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- Capital Grants Unapplied Account – 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 not 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.

Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation; however, the Council is restricted in the use of these as the schools balances are held by schools and can only be spent by schools. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Council to maintain a prudent level of reserves.

Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements.

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	**Usable Reserves**			**Movement in Unusable Reserves**
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	
Adjustments involving the Capital Adjustment Account:	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(25,607)	-	-	25,607
Revaluation losses on Property Plant and Equipment	(2,711)	-	-	2,711
Movements in the fair value of Investment Properties	194	-	-	(194)
Amortisation of intangible assets	(3,658)	-	-	3,658
Capital grants and contributions	27,702	-	-	(27,702)
Revenue expenditure funded from capital under statute	(9,956)	-	-	9,956
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(39,083)			39,083
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	10,628	-	-	(10,628)
Capital expenditure charged against the General Fund	30			(30)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	2,694	-	(2,694)	-
Capital grants reclassification	(25)	-	25	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	142	(142)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	6,284	(6,284)	-	-
Capital Receipts used for the repayment of loans	-	6,284	-	(6,284)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer to deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	1,165	-	-	(1,165)
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	11	-	-	(11)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(18,180)	-	-	18,180
Employer's pensions contributions & direct payments to pensioners payable in the year	13,397	-	-	(13,397)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,290)	-	-	1,290
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(25,520)	-	-	25,520
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	(581)	-	-	581
Total Adjustments	**(64,506)**	**-**	**(2,527)**	**67,033**

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	Usable Reserves General Fund Balance	 Capital Receipts Reserve	 Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(26,786)	-	-	26,786
Revaluation losses on Property Plant and Equipment	(2,983)	-	-	2,983
Movements in the fair value of Investment Properties	(237)	-	-	237
Amortisation of intangible assets	(3,278)	-	-	3,278
Capital grants and contributions	35,453	-	-	(35,453)
Revenue expenditure funded from capital under statute	(24,529)	-	-	24,529
Impairment of Financial Assets (Loans)	(2,645)	-		2,645
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(9,737)			9,737
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	5,918	-	-	(5,918)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	620	-	(620)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	772	(772)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	1,991	(1,991)	-	-
Redemption of Financial Assets (Loans)	-	-	-	-
Use of the reserve to finance capital expenditure	-	-	-	-
Capital Receipts used for the repayment of loans	-	10,874	-	(10,874)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,220)	-	1,220
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	10	-	-	(10)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(30,424)	-	-	30,424
Employer's pensions contributions & direct payments to pensioners payable in the year	13,983	-	-	(13,983)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	166	-	-	(166)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,956	-	-	(1,956)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	(544)	-	-	544
Total Adjustments	**(41,066)**	**7,663**	**152**	**33,251**

- **Summary of Usable and Unusable Reserves**

The table below shows the movement on each reserve to give total balances as at 31 March for usable and unusable reserves.

1 April 2019 *£000*	*Movement* *£000*	*31 March 2020* *£000*	**Summary of Usable and Unusable Reserves**	**1 April 2020** **£000**	**Movement** **£000**	**31 March 2021** **£000**
			Usable Reserves			
(6,000)	*888*	*(5,112)*	General Fund Balance	(5,112)	(888)	(6,000)
(3,374)	*215*	*(3,159)*	School's Balances	(3,159)	(1,562)	(4,721)
(31,217)	*3,753*	*(27,464)*	Specific Earmarked Reserves (Note 16)	(27,464)	(35,909)	(63,373)
(7,663)	*7,663*	*-*	Capital Receipts Reserve	-	-	-
(1,110)	*152*	*(958)*	Capital Grants Unapplied Account	(958)	(2,527)	(3,485)
(49,364)	*12,671*	*(36,693)*	**Total Usable Reserves**	**(36,693)**	**(40,887)**	**(77,580)**
			Unusable Reserves			
(132,737)	*(12,829)*	*(145,566)*	Revaluation Reserve	(145,566)	12,603	(132,963)
101,915	*9,955*	*111,870*	Capital Adjustment Account	111,870	15,557	127,426
(1,227)	*1,220*	*(7)*	Deferred Capital Receipts Reserve	(7)	(1,165)	(1,172)
435	*(10)*	*425*	Financial Instruments Adjustment Account	425	(11)	414
332,035	*(110,547)*	*221,488*	Pension Reserve	221,488	92,898	314,386
(527)	*(2,122)*	*(2,649)*	Collection Fund Adjustment Account	(2,650)	26,810	24,161
2,372	*542*	*2,914*	Accumulating Compensated Absences Adjustment Account	2,916	580	3,496
302,266	*(113,791)*	*188,475*	**Total Unusable Reserves**	**188,475**	**147,273**	**335,748**
252,902	*(101,120)*	*151,782*	**Total Usable and Unusable Reserves**	**151,783**	**106,386**	**258,169**

- **Revaluation Reserve**

The Revaluation Reserve (RR) 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 realised

The reserve contains only revaluation gains accumulated since 1 April 2007.

2019/20 *£000*	**Revaluation Reserve:**	**2020/21** **£000**
(132,737)	Balance at start of year	(145,566)
(43,005)	Upward revaluation of assets	(22,657)
22,952	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	18,046
2,283	Difference between fair value depreciation & historical cost depreciation	2,687
4,941	Release of revaluation gains on disposal	14,527
(145,566)	Balance at end of the year	**(132,963)**

- **Capital Adjustment Account**

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing 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 CIES. 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.

2019/20 *£000*	**Capital Adjustment Account:**	**2020/21** **£000**
101,915	Balance at start of year	111,870
26,786	Charges for depreciation & Impairment	25,607
2,984	Revaluation (gains) / losses on Property, Plant & Equipment	2,711
237	Movement in fair market value of Investment Properties	(194)
3,278	Amortisation of Intangible Assets	3,658
(35,453)	Capital Grants & Contributions that have been applied to Capital Financing	(27,702)
(772)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(142)
18,965	Revenue Expenditure Funded from Capital under Statue (REFCUS)	9,193
5,564	Capital Direction	763
9,737	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	39,083
2,645	Impairment of Empower Loan	-
-	Capital expenditure charged against the General Fund	(30)
(10,874)	Use of Capital Receipts to Repay Loans	(6,284)
-	Capital Receipts to Deferred Capital Reserve	(1,165)
(5,918)	Revenue Provision for the Repayment of Loans	(12,727)
(2,283)	Depreciation & Impairment written down to Revaluation Reserve	(2,687)
(4,941)	Transfer of Revaluation Reserve on disposal	(14,527)
111,870	Balance at end of the year	**127,427**

- **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 or repayments of loans. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20 £000	**Deferred Capital Receipts Reserve:**	**2020/21 £000**
(1,227)	Balance at start of year	(7)
-	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(1,165)
1,220	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(7)	Balance at end of the year	**(1,172)**

- **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 benefitting from gains per statutory provisions.

2019/20 £000	**Financial Instruments Adjustment Account:**	**2020/21 £000**
435	Balance at start of year	425
(10)	Interest Paid on Short Term Loans	(11)
425	Balance at end of the year	**414**

- **Pensions Reserve**

  The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers' contributions to pension funds or eventually pay any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a shortfall in the resources the Council has set aside to meet benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. For further information see Note 7.

2019/20 £000	**Pensions Reserve:**	**2020/21 £000**
332,035	Balance at start of year	221,488
(126,988)	Actuarial gains / losses on pension assets & liabilities (Note 7)	88,115
30,424	Reversal of items relating to Post-Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	18,180
(13,983)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(13,397)
221,488	Balance at end of the Year	**314,386**

- **Collection Fund Adjustment Account**

  The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 88.

2019/20 *£000*	**Collection Fund Adjustment Account:**	**2020/21** **£000**
(527)	Balance at start of year	(2,649)
(166)	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	1,290
(1,956)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	25,520
(2,649)	Balance at end of the Year	**24,161**

- **Accumulating Compensated Absences Adjustment 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.

2019/20 *£000*	**Accumulating Compensated Absences Adjustment Account:**	**2020/21** **£000**
2,372	Balance at start of year	2,914
542	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	582
2,914	Balance at end of the Year	**3,496**

16 Movement in Reserves Statement – 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.

General Fund Earmarked Reserves	31 March 2020 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2021 £000	Purpose of the Earmarked Reserve
Departmental Reserves	5,077	(1,620)	5,191	(5)	8,643	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use. This includes the Council's Dedicated Schools Grant balance of £3.263 million.
Insurance	3,073	(144)	386	-	3,315	To provide for future claims (self-insurance). A number of risks, contingencies and financial losses are covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence, and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £50,000 per loss, are also met by the Reserve.
Schools Capital	752	(181)	86	-	657	School revenue reserves put aside for funding future school capital schemes.
Capacity Building	12,992	(1,936)	3,975	5	15,036	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	9	-	122	-	131	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
C-19 Funding Reserve	5,332	(5,332)	12,841	-	12,841	To be used to fund C-19 pressures across all services in 2021/22.
C-19 Tax Income Reserve	-	-	22,521	-	22,521	Grant income expected through the Tax Income Guarantee Scheme of £2.3m. This will be used to mitigate future tax income losses as a result of the pandemic. Includes £20.2m of section 31 grants to compensate for the loss of Business Rates Income experienced as retail relief, provided to business, as financial support to cover the pandemic.
Other	229	(6)	7	-	230	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	**27,464**	**(9,219)**	**45,129**	**-**	**63,374**	

17 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2020/21	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2020 Gross Book Value	370,579	36,227	961	683	1,135	7,738	**417,323**
Additions	5,360	1,865	21	-	2	9,580	**16,828**
Revaluation increase / (decrease) recognised in the Revaluation Reserve	1,285	-	-	-	-	-	**1,285**
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(2,906)	-	-	-	-	-	**(2,906)**
Derecognition - Disposals	(32,134)	(93)	-	-	-	-	**(32,227)**
Derecognition – Other	-	-	-	-	-	(7)	**(7)**
Reclassified Assets	2,150	-	-	-	-	-	**2,150**
Assets Under Construction Completed In Year	8,554	-	-	-	-	(8,616)	**(62)**
At 31 March 2021	352,888	37,999	982	683	1,137	8,695	**402,384**
Accumulated Depreciation and Impairment							
At 01 April 2020	(14,279)	(16,985)	(60)	-	(104)	-	**(31,428)**
Depreciation Charge	(7,087)	(5,004)	-	-	-	-	**(12,091)**
Depreciation written out to the Revaluation Reserve	4,035	-	-	-	-	-	**4,035**
Depreciation written out to the (Surplus) / Deficit on Provision of Services	240	-	-	-	-	-	**240**
Impairment (losses) /reversals recognised in the Revaluation Reserve	(618)	-	-	-	-	-	**(618)**
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	613	(119)	(21)	-	-	-	**473**
Derecognition - Disposals	1,230	26	-	-	-	-	**1,256**
At 31 March 2021	**(15,866)**	**(22,082)**	**(81)**	**-**	**(104)**	**-**	**(38,133)**
Net Book Value - At 31 March 2021	**337,022**	**15,917**	**901**	**683**	**1,033**	**8,695**	**364,251**
Net Book Value - At 31 March 2020	*356,300*	*19,242*	*901*	*683*	*1,031*	*7,738*	*385,895)*

Comparative Movements in 2019/20

Property, Plant & Equipment (PPE) – 2019/20	*Other Land & Buildings*	*Vehicles, Plant & Equipment*	*Community Assets*	*Heritage Assets*	*Surplus Assets*	*Assets under Construction*	*Total PPE*
Cost or Valuation	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 April 2019 Gross Book Value	*361,672*	*42,318*	*901*	*683*	*1,135*	*2,058*	*408,767*
Additions	*9,609*	*2,250*	*60*	*-*	*-*	*7,135*	*19,054*
Revaluation increase / (decrease) recognised in the Revaluation Reserve	*15,011*	*-*	*-*	*-*	*-*	*-*	*15,011*
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	*(7,254)*	*-*	*-*	*-*	*-*	*-*	*(7,254)*
Derecognition - Disposals	*(8,788)*	*(8,341)*	*-*	*-*	*-*	*-*	*(17,129)*
Reclassified Assets	*(1,100)*	*-*	*-*	*-*	*-*	*-*	*(1,100)*
Assets Under Construction Completed In Year	*1,429*	*-*	*-*	*-*	*-*	*(1,455)*	*(26)*
At 31 March 2020	*370,579*	*36,227*	*961*	*683*	*1,135*	*7,738*	*417,323*
Accumulated Depreciation and Impairment							
At 01 April 2019	*(17,389)*	*(19,993)*	*-*	*-*	*(104)*	*-*	*(37,486)*
Depreciation Charge	*(6,799)*	*(5,014)*	*-*	*-*	*-*	*-*	*(11,813)*
Depreciation written out to the Revaluation Reserve	*6,035*	*-*	*-*	*-*	*-*	*-*	*6,035*
Depreciation written out to the (Surplus) / Deficit on Provision of Services	*4,271*	*-*	*-*	*-*	*-*	*-*	*4,271*
Impairment (losses) /reversals recognised in the Revaluation Reserve	*(991)*	*-*	*-*	*-*	*-*	*-*	*(991)*
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	*(168)*	*(301)*	*(60)*	*-*	*-*	*-*	*(529)*
Derecognition - Disposals	*762*	*8,323*	*-*	*-*	*-*	*-*	*9,085*
At 31 March 2020	*(14,279)*	*(16,985)*	*(60)*	*-*	*(104)*	*-*	*(31,428)*
Net Book Value - At 31 March 2020	*356,300*	*19,242*	*901*	*683*	*1,031*	*7,738*	*385,895*
Net Book Value - At 31 March 2019	*344,283*	*22,325*	*901*	*683*	*1,031*	*2,058*	*371,281*

18 Highways Infrastructure

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets

2019/20 £000	**Highways Infrastructure**	**2020/21 £000**
	Net book value (modified historical cost)	
177,660	Balance at start of year	181,173
17,286	Subsequent Expenditure (Note 25)	20,753
(215)	Disposals	-
(13,558)	Depreciation	(13,990)
-	Impairment	-
181,173	**Balance at end of the Year**	**187,936**

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

19 Investment Properties

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.

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

2019/20 £000	**Investment Properties**	**2020/21 £000**
25,676	Balance at start of year	23,551
99	Subsequent Expenditure (Note 25)	4,174
26	Assets Under Construction Completed in Year	62
(1,127)	Disposals	(4,559)
(237)	Revaluations (Note 10)	194
(886)	Impairment	-
-	(To) / From Property, Plant and Equipment	(1,599)
23,551	**Balance at end of the Year**	**21,823**

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out by the Council's external valuers, NPS Peterborough Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. There have been no changes in the valuation techniques used during the year for investment properties.

The Council's investment properties are valued in accordance with the 'Fair Value Hierarchy', as follows:

- Level One – quoted prices in active markets for identical assets

- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

The fair value for investment properties (commercial units) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. 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 at Level Two in the fair value hierarchy.

There have been no transfers between Levels One and Two, and Levels Two and Three during the year.

20 Intangible Assets

Intangible assets are assets that do not have physical substance for example computer software and licences. There are two items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

31 March 2020	**Intangible Assets**	**Remaining Amortisation Period**	**31 March 2021**
£000		**Years**	**£000**
1,834	Lot 1 Viridor Contract	25	1,761
573	Sand Martin House ICT	1	287
2,407	**Total**		**2,048**

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

The carrying amount of intangible assets is amortised on a straight-line basis. The movement on Intangible Assets balances during the year is shown in the following table:

31 March 2020	**Intangible Assets**	**31 March 2021**
£000	Balance at 1 April:	**£000**
22,581	Gross Carrying Amounts	25,120
(13,437)	Accumulated Amortisation	(16,715)
9,144	**Net Carrying Amount at Start of the Year**	**8,405**
	Additions	
2,539	Purchases (Note 25)	1,224
(3,278)	Amortisation for the period	(3,658)
8,405	**Net Carrying Amount at the End of Year**	**5,971**
25,120	Gross Carrying Amounts	26,344
(16,715)	Accumulated Amortisation	(20,373)
(8,405)	**Net Carrying Amount at the End of Year**	**(5,971)**

21 Assets Held for Sale

The following note details assets which are surplus to the Council's service needs and classified as ‘Assets Held for Sale’. Qualifying assets are generally defined as ‘held for sale’ if their carrying amount is going to be recovered principally through a sales transaction rather than continued use and meet the strict 'Assets Held for Sale' criteria outlined in the Code of Practice on Local Authority Accounting.

2019/20 £000	**Assets Held for Sale - Current Assets**	**2020/21 £000**
1,217	Balance at 1 April:	2,015
13	Revaluation Gains	-
-	Revaluation increase/(decrease) recognised in the Revaluation Reserve	(93)
(13)	Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services	(46)
1,100	Property, Plant and Equipment Declassified as Held for Sale	(551)
(350)	Assets Sold	(1,394)
	Other movements:	
48	Additions (Note 25)	69
2,015	**Balance at end of the Year**	**-**

22 Capital Commitments

As at 31 March 2021 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and Intangible Assets. These contracts, at a budgeted cost of £36.7m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract/ Capital Scheme	**Value of contract £000**	**Value outstanding at 31/3/21 £000**
Nene Bridge Bearings	2,040	1,484
Whittlesey Rd Access Phase 2	1,786	842
A1260 Nene Parkway Improvement	445	420
Junction 15 & 18 Construction Works	712	430
Green Wheel Improvements	177	167
More Cycling - PCN	275	149
Road and Bridges Lighting	287	121
Demolition and construction of replacement double storey dwelling at Willow Barn Farm	291	130
Replacement roller shutter doors to Units 1-32 Alfric Square	135	135
Refurbishment of the Town Hall North	3,918	39
Refurbishment of existing tenanted chalets at Paston Travellers site	213	213
Refurbishment works at Westcombe Engineering	167	167
St John Henry Newman RC Primary School Construction	632	155
Manor Drive Schools Project	25,184	2,195
Expansion of Marshfields School	486	243
Total	**36,748**	**6,890**

23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at current value and is revalued at least every four years. The valuations in 2020/21 were carried out by NPS Peterborough Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year NPS Peterborough Ltd also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

- Market Value – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
- Existing Use Value – as above but including an assumption that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.
- Depreciated Replacement Cost – has been used to arrive at Existing Use Value where specialised property is valued. It is the least cost of purchasing the remaining service potential of the asset at the date of valuation.

The Council revalued £62.0m of Land and Buildings in 2020/21 and £283.0m in 2019/20 which is approximately 17% of the Council overall Gross Book Value of the assets held in Land and Buildings.

The Council has 396 ha of 'CRA' (Community Related Asset) land which historically has not been held on the balance sheet. This land was inherited from the former Peterborough Development Corporation in 1988 and attracts covenants on sale payable on Homes England. In 2020/21, £1.3m has been recognised on the balance sheet relating to 44.9 ha. The remainder has been assumed to have a Nil value on the basis of its restricted use and lack of development potential.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has and continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are starting to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt the valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.

Further details at https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus

The following table shows the movement on the Revaluation Reserve over the last five years split over the three asset types which may be revalued during the life of the asset.

Revaluation Reserve See Note 15	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Assets Held for Sale***	**Total**
Valued at current value as at:	**£000**	**£000**	**£000**	**£000**
31 March 2021	(13,233)		98	(13,135)
31 March 2020	*12,829*	*-*	*-*	*12,829*
31 March 2019	*(18,775)*	*(5)*	*(779)*	*(19,559)*
31 March 2018	*8,015*	*(4)*	*79*	*8,090*
31 March 2017 & Prior Years	*141,919*	*11*	*2,276*	*144,206*
Total Valuation	130,755	2	1,674	**132,431**

* *Assets Held for Sale includes values relating to Surplus Assets*

24 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Note 17 which reconcile the movement over the year for Property, Plant, and Equipment (PPE).

During 2020/21 £0.7m (2019/20 £1.1m) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This relates to capital expenditure that has been spent on improving the Council's assets which has not significantly increased the value of each individual building.

25 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance the expenditure.

2019/20** £000		**2020/21** **£000**
577,427	**Opening Capital Financing Requirement**	**588,429**
11,919	Property, Plant and Equipment (Note 17)	7,248
7,135	Assets Under Construction (AUC) (Note 17)	9,580
17,286	Highways Infrastructure (Note 18)	20,753
99	Investment Properties (Note 19	4,174
2,539	Intangible Assets (Note 20)	1,224
48	Assets Held For Sale (Note 21)	69
19,355	Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,949
(312)	Prior Year REFCUS Grant Return and Abortive Costs	7
5,564	Capitalisation Direction	763
386	Loans to Third Parties	3,004
	Sources of Finance	
(36,225)	Capital Grants & Contributions	(29,455)
(5,918)	Sums set aside from revenue (includes direct revenue financing & Minimum Revenue)	(10,628)
(10,874)	Repayment of Loan debt from Capital Receipts	(6,284)
-	Capital Receipts – repayment of Loan	-
588,429	**Closing Capital Financing Requirement**	**598,833**
11,002	**Increase in Capital Financing Requirement**	**10,404**

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.

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2020/21 this expenditure is £9.9m compared with £19.4m in 2019/20. REFCUS expenditure of £6.5m relates to Academies (25 schools have now transferred to Academies since the transfer programme began) and Free Schools. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2019/20 £000	**Reconciliation of Grant Funding Applied to Capital Financing**	**2020/21 £000**
26,974	Grants Received in year (Note 11)	22,950
-	POIS used to fund MRP	-
(620)	Grants Received in year not applied in year	(2,669)
772	Grants Applied from Capital Grants Unapplied Account	142
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
9,099	In Year	9,032
36,225	**Total Grants & Contributions applied**	**29,455**

2019/20 £000	**Body of Grant Funding Applied**	**2020/21 £000**
2,298	Ministry of Housing, Communities & Local Government	5,501
90	Department for Transport	419
17,231	Department of Education	9,402
72	Department of Health	-
-	Homes England	625
9,656	Cambridgeshire & Peterborough Combined Authority	11,749
29,347	**Total Grants Applied**	**27,696**
4,581	Section 106 Contributions	624
2,297	Third Party Contributions	1,135
6,878	**Total Contributions applied**	**1,759**
36,225	**Total Grants & Contributions applied**	**29,455**

26 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a 30 year PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement required the contractor to construct the Voyager secondary school (now called Queen Katherine Academy), and to extend and refurbish two existing secondary schools (Jack Hunt and Ken Stimpson). The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering. The three schools and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

Queen Katherine Academy and Jack Hunt have transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the remaining school which is recognised on the Council's Balance Sheet is £14.7m (2019/20 £16.5m).

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	**Finance Lease Liability**	**Interest**	**Service Charges**	**Total**
Payable:	**£000**	**£000**	**£000**	**£000**
In 2021/22	942	1,862	5,765	8,569
Within two to five years	4,544	6,822	23,895	35,261
Within six to ten years	9,011	7,662	29,805	46,478
Within 11 to 15 years	11,312	3,678	34,486	49,476
Within 16 to 18 years	3,080	(456)	11,818	14,442
Total	**28,889**	**19,568**	**105,769**	**154,226**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability to the contractor for capital expenditure incurred is as follows:

31 March 2020		**31 March 2021**
£000		**£000**
(30,786)	Balance brought forward	(29,863)
923	Lease liability redemption in the year	974
(29,863)	**Value of Total Liability carried forward**	**(28,889)**
(974)	Short Term Liability	(942)
(28,889)	Long Term Liability	(27,947)
(29,863)	**Value of Total Liability carried forward**	**(28,889)**

27 Council Leasing Arrangements

Council as Lessee - Finance Leases

The Council has acquired land, buildings, vehicles and equipment under finance leases, shown in the table below.

31 March 2020		**31 March 2021**
£000	**Council as Lessee - Finance Leases**	**£000**
14,994	Other Land & Buildings	15,486
421	Vehicles, Plant Furniture & Equipment	344
15,415	**Total**	**15,830**

The Council has two long finance leases on Investment Properties, 36 Academy finances leases and a finance lease for Council offices and car park.

The vehicles and equipment acquired are carried as Property, Plant and Equipment in the Balance Sheet at the net amounts also shown in the table above.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and the 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:

** Non-Peppercorn leases range from one to 85 years*

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

31 March 2020			**31 March 2021**	
Min. Lease Payment	*Finance Lease Liabilities*	**Minimum lease payments**	**Min. Lease Payment**	**Finance Lease Liabilities**
£000	*£000*		**£000**	**£000**
2,054	*286*	Not later than one year	1,994	257
7,836	*1,068*	Later than one year & not later than five years	7,725	1,073
48,473	*14,730*	Later than five years *	46,606	14,483
58,363	*16,084*	**Total**	**56,325**	**15,813**

** Non-Peppercorn leases range from one to 85 years*

There are no contingent rents payable as all rents are adjusted after any rent amendments are made and the previous tables reflect the current lease rental positions.

Of the investment properties held under these finance leases, the Council has sub-let individual units as well as two retail units and the second floor of the Council offices at Sand Martin House which are classified as operating leases.

At 31 March 2021 the minimum payments expected to be received under these two property finance leases was £293k (£221k (restated) in 2019/20).

Council as Lessee - Operating Leases

The majority of the Council's operating leases are for land and buildings, however there are a small number of vehicles and equipment held under operating leases.

The future minimum lease payments due under these contracts are enforceable during that period and would only be cancelled with the permission of the landlord:

31 March 2020		**31 March 2021**
£000	**Council as Lessee - Operating Leases**	**£000**
1,604	Not later than one year	1,761
5,620	Later than one year & not later than five years	5,536
13,014	Later than five years	12,076
20,238	**Total**	**19,373**

The amount charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases is shown in the table below:

31 March 2020		**31 March 2021**
£000	**Council as Lessee - Operating Leases**	**£000**
1,741	Minimum lease payments	1,927
-	Contingent rents	-
(385)	Sublease payment receivable	(586)
1,356	**Total**	**1,341**

Council as Lessor - Finance Leases

The Council has leased land on long term leases, these include playing fields and Nene Park. The Council has also leased schools to various trusts as the schools transferred to Academy status as per instruction from DfES. The leases are at peppercorn or minimal value rents only.

Council as Lessor – Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- To generate an income from property owned as investment property
- To provide lower service costs e.g., Viridor – Energy for Waste

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

31 March 2020 *£000*	**Council as Lessor - Operating Leases**	**31 March 2021** **£000**
3,501	Not later than one year	2,498
15,527	Later than one year & not later than five years	8,648
46,259	Later than five years*	42,203
65,287	**Total**	**53,349**

** Above operating leases range from five to 125 years*

There are no contingent rents payable as all rents are adjusted after any rent amendments are made and the previous tables reflect the current lease rental positions.

28 Financial Instruments

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate (EIR) calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

2019/20 *£000*	**Financial Assets**	**2020/21** **£000**
(1,498)	Interest Income	(1,553)
(478)	Other Investment Income	(2,161)
(1,976)	**Total for Financial Assets (Note 10)**	**(3,714)**
	Financial Liabilities	
2,071	Interest Payable Relating to PFI	1,994
16,424	Interest Payable on Borrowings	16,204
18,495	**Total for Financial Liabilities (Note 10)**	**18,198**
16,519	**Net expenditure for the year**	**14,484**

Under IFRS 9 the financial assets on the Balance Sheet are now classified by one of the following categories:

- Amortised Cost
- Fair Value through the Income and Expenditure
- Fair Value through the Profit and Loss

March 2020 Long Term £000	*March 2020 Current £000*	**Financial Instruments Balances**	**March 2021 Long Term £000**	**March 2021 Current £000**
		Assets at Amortised Cost:		
-	*3*	Investments	-	-
-	-	Investment in Shares (HE Company)	1,870	-
-	*10,437*	Cash and Bank	-	18,184
-	-	Hilton Hotel Loan	3,075	-
20,400	-	Debtors – ECS Peterborough 1 LLP	-	-
2,509	*14,409*	Debtors - Loans and receivables	2,109	9,691
22,909	*24,849*	**Total**	**7,054**	**27,875**
		Liabilities at Amortised Cost		
(374,587)	*(103,000)*	Borrowings - Financial liabilities at amortised cost	(374,587)	(95,000)
-	*(3,457)*	Accrued Interest associated with Borrowing	-	(3,423)
(120)	-	Long term Creditors	(109)	-
(29,863)	-	Long term PFI	(28,889)	-
(14,824)	-	Long term finance lease liabilities	(14,621)	-
-	*(4,151)*	Creditor - Financial liabilities at amortised cost	-	(3,536)
(419,394)	*(110,608)*	**Total**	**(418,206)**	**(101,959)**

Note: Accrued interest is not required for instruments measured at Equivalent Interest Rate as this adjustment covers a full year's interest.

29 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB interest rates for new loans at 31 March 2021 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The Amortised Cost value includes trade debtors. The Fair Values calculated are shown in the following table.

The financial liabilities are held with PWLB and market lenders. All of these 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, the Council has used Level 2 valuations calculated using a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today’s terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council’s accounting policy uses the effective rate of interest for the relevant instrument. The Council uses the new borrowing rates to discount the future cash flows.

2019/20		**Financial Liabilities**	**2020/21**	
Carrying Amount £000	*Fair Value £000*		**Carrying Amount £000**	**Fair Value £000**
(369,587)	*(445,846)*	PWLB debt	(369,587)	(478,852)
(5,000)	*(4,964)*	Non-PWLB debt	(5,000)	(5,035)
(103,000)	*(109,533)*	Short term borrowing *	(95,000)	(103,218)
(3,457)	*(3,457)*	Accrued Interest associated with Borrowing	(3,423)	(3,423)
(2,891)	*(2,891)*	Short term creditors	(2,344)	(2,344)
(1,260)	*(1,260)*	Short term finance lease liability	(1,192)	(1,192)
(120)	*(120)*	Long term creditors	(110)	(110)
(44,687)	*(56,750)*	Long term PFI & finance lease liabilities	(43,509)	(59,448)
(530,002)	*(624,821)*	**Total**	**(520,165)**	**(653,622)**

** Short term borrowing includes £17.5m of LOBO's*

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates, see Note 30 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £478.9m 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. 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.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

2019/20		**Financial Assets**	**2020/21**	
Carrying Amount £000	*Fair Value £000*		**Carrying Amount £000**	**Fair Value £000**
3	*3*	Short Term Investments	-	-
-	*-*	Investment in HE Company Shares	1,870	1,870
-	*-*	Hilton Hotel Loan	3,075	3,075
20,400	*20,400*	ECS Peterborough 1 LLP Loan	-	-
2,509	*2,509*	Other Long Term Loans & Receivables	2,109	2,109
10,437	*10,437*	Total Cash and Cash Equivalent	18,184	18,184
14,409	*14,409*	Trade Debtors	9,691	9,691
47,758	*47,758*	**Total**	**34,929**	**34,929**

Covid-19 Implications on Fair Value

The Code establishes that when measuring fair value an authority is required to take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the 31 March 2021. This importantly establishes two issues:

- that the fair value measurement is at the measurement date (and not a future date) and
- that the measurement must reflect the market participant's views and assumptions about the pricing of an asset or a liability at that date.

Fair value measurements for financial instruments and investment properties held by local authorities will need to be reviewed against the conditions and assumptions at the measurement date. This will be difficult because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs.

30 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 changes in such measures as interest rates and money market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Capital Accounting and 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 Policy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poor's Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2020/21 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays) and the CCLA money market fund.

The credit criteria in respect of financial assets held by the Council are as follows:

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amounted deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £100m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.

- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.
- The long term debt as at 31 March 2021 includes £20.4m relating to the outstanding balance on a loan granted to ECS Peterborough 1 LLP (ECSP1). This value has been calculated by Deloitte at £20.4m, who express no opinion on the suitability of the discount rate selected by the Council using the same underlying financial model as that used for assessing the Fair Value of ECSP1. The loan to ECSP1 falls within the definition of Capital Expenditure under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 section 25. The requirement under this regulation necessitates the loan be classed as capital expenditure for the purposes of its accounting treatment. As part of the Council's Minimum Revenue Provision policy, which forms part of the yearly approval of the Medium-Term Financial Strategy by Council.
- The Council has a Facility Agreement with Propiteer Hotels Ltd (Transfer from Fletton Quays Hotel Ltd) of £15m to provide funding for the construction of a Hotel at Fletton Quays, East Station Road. The drawdown against the Facility Agreement would attract an interest of 5.13% per annum to be paid on maturity which has been agreed for a term of 24 months from the first drawdown. The total drawdown including interest is £3.1m.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Council had a total of £18.1m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2021. The full amount is potentially exposed to credit risk, although as the DMO is within the scope of HM Treasury it is less of a risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2021. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment is 87.0p to 87.1p whilst the Heritable Bank (HB) recovery rate is expected to be 99.33p to 100p in the £. The total dividends received as at 31 March 2021 are £1.9m for KSF and £1.0m for HB (2019/20 £1.9m, £1.0m). Further dividends are expected in 2021/22.

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

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. 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.

The aged debtors balance can be analysed by age as follows:

2019/20 £000	Age of Trade Debt	2020/21 £000
8,887	Less than three months	6,338
436	Three to six months	247
1,023	Six months to one year	1,068
4,063	More than one year	2,038
14,409	**Total**	**9,691**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Council has ready access to borrowings from the Public Works Loans Board (PWLB) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

The Council's strategy to reduce this risk is to spread the profile of maturing loans across a period of 50 years, to ensure that a large number do not all mature in the same year. The Council's cashflow is forecast, in detail, for up to 12 months ahead.

The maturity analysis of financial liabilities is as follows:

2019/20 £000	Maturity analysis of financial liabilities	2020/21 £000
(110,608)	Less than one year *	(106,458)
(10,902)	Between one and two years	(13,424)
(30,280)	Between two and five years	(23,703)
(378,212)	Between five and fifty years	(376,580)
(530,002)	**Total**	**(520,165)**

** Less than one year includes £17.5m of LOBO's*

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 risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

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

The Council has a number of strategies for managing interest rate risk as follows:

- the borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty

- depending upon economic conditions the Council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high
- variable interest rate borrowings should not exceed 25% of total gross borrowing
- during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden

The Capital Accounting and Treasury Team assesses interest rate exposure which feeds into the setting of the annual budget and is used to update the forecasts during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is at fixed or variable rate.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 27 by £86.0m, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as previous but with the movements being reversed.

Price Risk

The Council has taken shareholdings in its subsidiary companies Peterborough Ltd and Blue Sky Peterborough Ltd and in its Joint Venture companies Medesham Ltd, Empower Peterborough Community Interest Company and NPS Peterborough Ltd. It also received £1.9m shares in its associated company Peterborough HE Property Company Ltd in consideration for land transferred in December 2020. This company was established to develop and then lease the campus for the new university being developed in Peterborough. For further details see Note 13.

The Council is not exposed to price risk through these holdings as the majority are token holdings, and those held in Peterborough HE Property Company are not held for investment purposes but were received in consideration for the Council's contribution of land to the company. Any sale of the company shares must be first offered at fair value to the other members of the company in the order prescribed in the Articles of Association.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

31 Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

31 March 2020	**Inventories**	**31 March 2021**
£000		**£000**
397	Westcombe Industries Stock	360
64	Other Stock Balances*	106
461	**Total**	**466**

*Includes Stock transferred from the closure of Vivacity

32 Creditors

Amounts owed by the Council for goods and services received prior to the year-end are as follows.

31 March 2020 *£000*	**Creditors**	**31 March 2021** **£000**
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(920)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	COVID-19 Grants	(11,012)
(13,395)	Deposits / Receipts in Advance	(15,708)
(2,916)	Accrual Accumulated Absences (Note 15)	(3,496)
(1,260)	Short Term Finance Lease Liabilities (Note 27)	(1,192)
(37,053)	General Creditors	(46,734)
(69,163)	**Total Creditors**	**(107,594)**

During 2020/21, the Council received approximately £44.7m in Section 31 (S31) grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This shows a significant increase in available reserves which are earmarked to fund the 2021/22 Collection Fund deficit. Note 15 page 45.

33 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows. Further details about the impact of C-19 on debtor balances can be found in Note 43.

31 March 2020 *£000*	**Debtors** (Each item is net of impairment)	**31 March 2021** **£000**
9,623	Cambridgeshire & Peterborough CCG	2,488
2,674	Cambridgeshire & Peterborough Combined Authority	1,315
2,967	Capital Funding Contributions	507
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NNDR Arrears	8,973
1,012	Other NHS Organisations	2,217
7,956	Payments in Advance	6,503
2,529	Commercial Property Rent Arrears	355
-	Empower Loan	20,400
-	Capital General Debtors	1,165
14,099	General Debtors	17,737
60,039	**Total Debtors**	**106,276**

The debtors balance with Central Government Departments of £32.9m includes £17.3m in relation to the governments share of the business rates deficit on the Collection Fund.

34 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred, where a cash outflow is probable, and a reliable estimate can be made. Provisions are set aside in the accounts and charged to individual services. Estimated amounts outstanding at the year-end are as follows

Provision Description	31 March 2020	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2021
	£000	£000	£000	£000	£000	£000
Short Term Provisions						
Insurance Claims – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain.	(1,304)	-	-	-	111	(1,193)
Voluntary Redundancy Provision – redundancy related payments, regarding decisions made in 2019/20 with the remaining being paid in 2021/22	(1,028)	(4)	813	149	-	(70)
CAY Pensions Costs – Pre 1980 Pension Contributions obligation for 2019/20 paid in 2020/21	(560)	-	560	-	-	-
Disputed Invoices – payments in dispute with the Cambridgeshire and Peterborough CCG	-	(640)	-	-	-	(640)
Non Domestic Rate Appeals Provision – this reflects the value of Rateable Value (RV) appeals submitted by businesses to the Valuation Office Agency (VOA) to seek a retrospective or/and future reduction in their NNDR bills.	(7,282)	(2,124)	1,772	92	-	(7,542)
Total Short Term Provisions	**(10,174)**	**(2,768)**	**3,145**	**241**	**111**	**(9,445)**
Long Term Provisions						
Insurance Claims – see above comments	(356)	(144)	155	-	(111)	(456)
Total Short and Long Term Provisions	**(10,530)**	**(2,912)**	**3,300**	**241**	**-**	**(9,901)**

35 Capital Grants Receipts In Advance

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

31March 2020 £000	**Capital Grants Receipts in Advance**	**31 March 2021 £000**
(1,334)	Department of Education	(1,068)
(419)	Department for Transport	-
(2,222)	Cambridgeshire & Peterborough Combined Authority	(1,834)
(545)	Homes and Communities Agency (HCA)	(545)
(181)	Disabled Facilities Grant	(1,033)
	Department for Communities and Local Government	(795)
(19)	Other Third Party Contributions	(179)
(203)	Community Infrastructure Levy (CIL)	(553)
(14,715)	Section 106 Contributions	(15,613)
(19,638)	**Total Capital Grants Receipts in Advance**	**(21,620)**

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 Restated £000*	**Cash Flow Statement – Operating Activities**	**2020/21 £000**
(1,506)	Interest Received	(1,558)
18,548	Interest Paid	18,187

**restated to adjust the classification of cash inflows and outflows from the granting and redemption of loans*

37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20 £000	**Cash Flow Statement – Investing Activities**	**2020/21 £000**
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,116
19,756	Other Payments for Investing Activities	6,344
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
60,536	**Net cash flows from investing activities**	**38,722**

38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2019/20 £000	**Cash Flow Statement – Financing Activities**	**2020/21 £000**
(37,500)	Cash Receipts of Short & Long Term Borrowing	8,000
18,739	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,267
(1,632)	Other Payments for Financing Activities	5,857
(20,393)	**Net cash flows from financing activities**	**15,124**

39 Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The 'Bank Current Accounts' line includes payments that have not yet cleared in the actual bank accounts.

2019/20	**Cash Flow Statement – Cash and Cash Equivalents**	**2020/21**
£000		**£000**
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
699	Bank Current Accounts	21
10,437	**Total Cash & Cash Equivalents**	**18,184**

40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2021 was £17,106 (£16,821 at 31 March 2020). Interest is allocated to the funds at bank base rate.

The Council acts for 12 adults under Court of Protection administration orders. The total value of funds is £17,677 at 31 March 2021 (£17,633 at 31 March 2020) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 277 adults and older people (252 at 31 March 2020). The total client funds at 31 March 2021 was £3.3m (£2.7m at 31 March 2020).

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery was transferred to City Culture Peterborough Ltd in 2020 from Vivacity. However, the Council remains sole Trustee, see Note 12.

These Trust Funds are not included in the Council's balance sheet. The individual funds have not been subject to a separate audit. However, they have been considered in overall terms, in the context of those materiality levels which apply to the Council's financial statements.

41 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible material obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are identified as follows:

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example, land transferred to the Council which the Homes and Communities Agency (formerly known as the Housing Corporation) has an interest in.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Group) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently

novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m as at September 2020.

42 Accounting Standards that have been Issued but have Not Yet Been Adopted

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a. Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

43 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 91, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further four transferring status during 2020/21. A Department for Education priority remains encourage all remaining maintained schools to convert to Academy status. This is not a legislative requirement, and they can remain under local authority control except where Ofsted consider them to be inadequate. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See the following table for analysis of the type of schools in Peterborough and its surrounding area.

Type and number of Schools	**Community**	**Controlled**	**Aided**	**Academies**	**Total**
Nursery	1	-	-	-	**1**
Primary Schools	13	4	5	36	**58**
Secondary Schools	1	-	1	9	**11**
All through Schools	-	-	-	3	**3**
Special Schools	3	-	-	2	**5**
Total	**18**	**4**	**6**	**50**	**78**

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council treats this expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This results in the capital expenditure being shown in the Comprehensive Income and Expenditure Statement in the period in which it is incurred with a corresponding entry made from the Capital Adjustment Account, which is an unusable reserve, so there is no overall impact to the General Fund balance.

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2021 of £0.9m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2021. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to, the governing bodies, the Council has determined that in this case substance should take precedence over form. Therefore, the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet.
- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Councils external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 57.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 18, page 55.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments. Further information on lease arrangements in place can be found in Note 27, page 60.
- The Council has eleven arrangements which it has considered against the Group Accounting criteria. The Council has not included ten of these arrangements within the Group Accounts Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough’s Charity Fund can be found in Note 12. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS,

Peterborough HE Property Company Ltd and Peterborough Ltd can be found in Note 13 and Group Accounts.

- COVID-19 - On the 31 March 2020 there were unprecedented circumstances in place due to the physical and economic impact of COVID-19 within the UK and the rest of the world. Local authorities and their essential workforce have worked hard to protect the most vulnerable within our communities. It is positive that Government has recognised councils' efforts in the response period by providing additional funding, including unringfenced funding totalling £4.6 billion; specific funding to support their work on a range issues; £6 billion in cash flow measures; and a new scheme to compensate for income losses from a proportion of sales, fees and charges to councils but significant challenges remain. It is vital that the Government addresses in full the financial challenges facing councils as a result of COVID-19. Due to the risk of uncertainty going into the future the accounts have been prepared using the information available to determine the impact of COVID-19. An example of this is the Bad Debt Provision where the Council increased the provision percentages of older debt to account for this unknown risk.
- The Council assessed all the COVID-19 Grants received during the year to ascertain whether they should be classified as an Agent or Principal

44 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is 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	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 £223k for every year that useful life is reduced, which equates to a 3.28% increase in this year's depreciation charge.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	lives of the Plant and Equipment and the Council's valuers for lives of Property.	
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £290k, which is 0.05% of the Council's total asset base. 4.81% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.
Property, Plant and Equipment	The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in the Statement of Accounting Policies. Operational assets are valued on the basis of Value in Existing Use or on a Depreciated Replacement Cost (DRC) basis for assets which are considered to be of a specialist nature because there is inadequate market evidence of value in existing use for these types of assets. Surplus Assets are valued on the basis of Fair Value (IFRS13). Asset values are reviewed periodically to ensure the value is not materially misstated, with approximately 20% of assets valued as at 31 March 2021. The remaining assets were reviewed to ensure values were materially accurate. Covid-19 continues to affect economies and real estate markets globally. At the valuation date property markets are starting to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of	If the assets are not maintained to the expected condition the value and the asset live would be reduced. It is estimated that if a 5% fall in maintenance and repairs on the Council's buildings would reduce the by £14.9m which is 2.87% of the Councils overall asset base. It is estimated that retail accounts for 1.5% and office 0.5% of the Councils total asset base, and as retail assets are part of the Council's

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	Investment Properties and therefore revalued annually the impact of a change in value is likely to be minimal.
Property, Plant and Equipment	The Council's Energy For Waste Plant is the largest Property, Plant and Equipment Asset the Council own and is valued on the basis of Depreciated Replacement Cost (DRC) as it is considered to be of a specialist nature because there is inadequate market evidence of value of existing use of these type of assets. This asset is revalued every year to ensure the value is not materially misstated, but the future and other major sources have been assumed will lead to an element of uncertainty attached to this asset.	The Energy For Waste Plant was valued at £71.4m in 2020/21 and one of the valuation units used is the assumed obsolescence age against the Gross Replacement Cost (GRC) which will vary from based on the assumptions in that year. If a specialist valuation was undertaken and the obsolescence age was certified, then an increase or decrease in the age length would change the asset value by £0.9m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analysis has been determined based on reasonable 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 effects on net pension's liability of changes in individual assumptions can be measured. For instance, • a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £91.8m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £6.1m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £84.0m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2021 the Council had a balance of £22.5m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 20% or £4.4m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £440k would be required. If 10% of the debt portfolio was one year older, additional impairment of £220k would be required.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Financial Instruments	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques. Inputs to these valuation techniques are based on observable data, when possible, but where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value	The authority uses the discounted cashflow (DCF) to measure the fair value of its financial assets and the term and reversion technique to measure most of its investment properties. This means the passing rent is capitalised at an appropriate yield up to the next review date and then the reversionary rent is capitalised against an appropriate yield in perpetuity. Allowances are made for management costs, lettings and SDLT. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates (adjusted for regional factors) for both investment properties and some financial assets. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013, meaning the Council is liable for its proportionate (49%) share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rating valuations from the 2010 list, which applies to bills up to 2016/17. This has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. The second estimate relates to the rating valuations from the 2017 list, which applies to bills from 2017/18 onwards. When the VOA published the 2017 list, they also implemented a new appeals process formally known as 'Check, Challenge, Appeal' (CCA). The implementation of a new process has meant that there has been a period of insufficient data to enable the Council to apply a similar approach to the previous list. Instead, the Councils provision has been calculated incorporating a national methodology recommended by MHCLG. Which	There are different classes of business, each of which have had historically different success rates of appeal. If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount, then the provision would need to be increased by £0.4. This equates to an 13% increase in the estimated provision held in the Council's Balance Sheet. If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due, then the provision would need to be increased by £1.7m. This equates to a 38% increase in the estimated provision held in the Council's Balance Sheet.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	following further analysis has been amended to reflect a localised position, more applicable to the Council. In recent years as more 2017 list appeals data has become available the Council has reviewed the suitability of the provision in comparison to the CCA's submitted, in addition to cross referencing this to industry experts, Analyse Local advice. The Council assessed all the COVID-19 Grants received during the year to ascertain whether they should be classified as an Agent or Principal	Where the Council was assessed as being as Agent both the COVID-19 Grants expenditure and income was moved to the Council's Balance Sheet

45 Post Balance Sheet Event

The Council has a short-term debtor on its Balance Sheet for £20.4m in respect of the loan to ECSP1. On 30 March 2021, after revised terms of a long-term facility with ECSP1 could not be agreed, a letter was sent requesting repayment of the loan within six weeks.

The loan was not repaid at the expiry of the notice period and Teneo Restructuring were appointed jointly by the Council and ECSP1 to provide insolvency advice.

- On 12 November 2021, the Council appointed Teneo Restructuring Ltd as Administrators and the Council offered £20.4m, the value of the loan, for the assets of ECSP1. The assets were transferred to the Council on 12 November 2021 and will be classified as Property, Plant and Equipment in the 2021/22 financial statements. The Council has considered this a non-adjusting post balance sheet event in the 2020/21 financial statements as the conditions arose after the reporting period.

Upon acquisition of the assets there was a recognised risk of the beneficial ownership of the assets not delivering the equivalent benefits to carrying value of the loan. To mitigate those risks the management of the portfolio is now being undertaken by Peterborough Ltd and an experienced and well-respected renewables asset management company. This has already resulted in a reduction in operating costs and an increased level of response to system alerts. The income generated by the Feed in Tariff is RPI linked and is now received directly by the Council. The Council has commissioned a valuation model and each year will review the value of the portfolio in the accounts against that indicated by the model.

46 Going Concern

Basis of Preparation

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 July 2023 (updated to 31 July 2024), management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cash flow forecasting, including consideration of group companies.

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

Medium Term Financial Plan

During 2021/22 the Council has seen an improvement in its financial position, and positive signs that the Council is now reaching the tail end of the pandemic. This has enabled the Council to amend the financial strategy, so that it no longer reliant on the Conditional Exceptional Funding Support. This has been achieved through a combination of the following:

- The increase in Covid-19 related demand has not materialised as originally anticipated
- Timely management action to mitigate budgetary pressures experienced in year i.e., parking income losses
- Implementation of 2022/23 savings proposals has enabled savings to be achieved in the 2021/22 financial year
- The introduction of moratorium on non-essential expenditure for revenue and capital expenditure
- Release of a £12.8m Covid-19 reserve which was earmarked to mitigate any additional Covid-19 related pressures.

CIPFA carried out a financial assurance and governance review, on behalf on behalf of DLUHC over Summer 2021. These reports were published in October 2021 alongside a series of recommendations. The Council has acted quickly to take actions to address financial and governance issues raised within these reports. Including:

- Establishing an Independent Improvement and Assurance Panel
- Appointing independent Audit Committee chair and members
- Commissioning CIPFA to undertake a series of forensic reviews on areas identified within the review

- Development of an Improvement Plan[5] and a Corporate strategy covering an 18 month period.

The Corporate Strategy that was approved at Council on 16 December 2021, makes it clear that the Council's top priority is to deliver a financial sustainability position.

As outlined within the Improvement Plan the Council has taken a one year tactical approach to the development of the 2022/23 Budget as part of a two stage approach.

- **Stage One:** is the tactical budget for 2022/23 which goes as far as possible to getting the appropriate balance between four objectives which are:
  - To protect front-line services as much as possible
  - To avoid long-term borrowing to pay for day-to-day expenditure
  - To protect and improve our Reserves position
  - To avoid short-term decisions that would result in increased costs in the medium term
- **Stage Two:** is the creation of a new Medium Term Financial Strategy (MTFS) that requires a fundamental review of how the Council operates and is due to be published in the Autumn of 2022

The Council approved a legal and balanced budget for 2022/23 at Council on 2 March 2022 which addresses the £26.8m budget gap. The following table summarises the budget position over the MTFP.

Phases One & Two MTFP	**2022/23 £000**
Budget gap from 2021/22 MTFS	26,793
Budget pressures & service demand	5,125
Savings	(18,831)
Funding changes	(12,368)
Reserves	(1,000)
Budget surplus*	**(281)**

**This will be transferred to reserves*

Although the Council has managed to protect the vast majority of its services, particularly in Children's and Adults' services, it is simply not possible to balance the books without some impact on service delivery. Every effort has been made to focus on how services might be delivered differently, and to look for additional funding from partners, and there are a small number of proposals that result in a diminution or ending of a service. The Council will continue to operate its statutory duties as the required levels and therefore it is management's opinion that this does not equate to a material uncertainty with regards to service provision.

The Council is at a critical stage. Its financial stability is yet not guaranteed, and some uncertainties around demographic service changes, inflation and funding remain a risk in the future years. Nonetheless the Council's financial position has seen a notable improvement, which extends into future years. In 2023/24 the Council will need to address a budget gap of £9.5m, an equivalent to 4.6% of its estimated Net Revenue Expenditure

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[5] Improvement Plan

(NRE), which is vastly different in comparison to the challenge faced in previous years which amounted to 14% of its NRE. This was recently outlined in an MTFS Quarter one update report[6], presented to Cabinet on 11 July 2022

Funding

A one year Local Government Finance Settlement for 2021/22 was confirmed and provided an additional £8.8m of grant funding for the Council. The priority of the settlement was to provide ‘stability in the immediate term’, while a more fundamental review of local government funding starts in 2022, with implementation expected as early as 2023/24.

Local Authorities have been budgeting based on one-year funding settlements, with 2022/23 being no exception to this trend. This means operating under increased levels of uncertainty and difficulties when setting a strategic financial plan due to nature of short-term budgeting. This makes it difficult for the Council to plan how best to allocate resources and provide services. For the Council to become financially sustainable, certain long-term funding, reflective of the needs within Peterborough is required.

Although the three-year Spending Review (SR21) provides assurance of nation funding levels for the DLUHC, it does not provide certainty of the Councils allocations, especially in light of the anticipated Local Government funding reforms. Additionally, the government has also outlined the timetable for the implementation of the Social Care reforms, and plan to progress a wider government agenda for levelling up. A revised funding mechanism and renewed focus on levelling could be positive and provide Peterborough with additional funding opportunities, As outlined within the Levelling Up Fund Prospectus Peterborough is amongst those Local Authorities within the highest priority category. Therefore, there remains some uncertainty with regards to future funding levels.

Financial Risk

Given the magnitude of the financial challenge and the requirement for more fundamental and radical change, the budget proposals have inevitably increased the level of financial risk the Council will be exposed to during 2022/23.

A number of the proposals rely on factors that are not within the Council’s direct control, which naturally adds to the risk. In addition, there are assumptions made about the future demand and cost pressures that are uncertain and will need careful monitoring over the coming weeks and months. The biggest uncertainty is the continuing rise in the rate of inflation, especially given the level of third-party spend in our budget.

The Chief Finance Officer’s conclusion is that the 2022/23 budget proposals are realistic and deliverable, albeit very challenging. There are however a number of uncertainties:

- Some of the savings proposals have been included with a target saving, rather than a saving that is fully supported by

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[6] https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4766&Ver=4 Item 5

a detailed delivery plan. At this stage an assessment of these savings has identified £4.7m of savings within the 2022/23 budget as very high or high risk.

- There are two savings identified as very high risk and rely on external factors not totally within the Council's control. The certainty of delivery of those savings is therefore less than ideal. However, this needs to be considered in the context of savings of £0.650m within an overall budget of £182m.
- The overall savings options do have a 'spread' across the Council's services and from a range of measures, most of which are within the Council's control to deliver on time and on budget. However, there is a considerable amount of work needed to deliver these savings and additional income, and there is therefore a risk of the capacity and pace needed to deliver the whole package of savings.
- Predicting demand pressures will always be a challenge, particularly when individual social care placements can be hugely expensive. Using historic trends, along with forecast population data, and intelligence from the Council's own internal management information systems, would normally provide a reasonable estimate. However, given the impact of the pandemic for almost two years, there is added uncertainty of demand projections. In the 2021/22 budget the Council expected to see some latent demand for services coming through to the Adults and Children's social care budgets, but this has not been as significant as expected. The Council cannot be certain if this is a 'permanent' position, or if demand continues to build and will then 'surge' through the systems.
- The pandemic has influenced people's behaviours and may continue to do so for some time. For example, the City still experiences the impact of alternative shopping methods seen through a decrease in footfall in the high-street. Therefore, visitors to the City impacting on the local economy, businesses and therefore the labour market is uncertain. This will influence the Council's ability to generate income and meet budget targets.
- For many years, inflation has been low and stable. Nationally rates are at their highest for some time; with CPI reaching 9% in May 2022. The Council has considered this as part of the budget and has specific allowances for the Social Care Market, pay, utilities and key contracts, but predicting where these rates will go over the coming year is difficult, and if they continue at current rates, or increase, then there could be a pressure on future years budgets that will need mitigating by good commissioning and procurement and / or other mitigations.

Given the above risks a £2m Budget Risk Reserve has been created in order to provide an overall satisfactory conclusion on the robustness of budget estimates.

Reserves Forecast

The Council held General Fund and Earmarked Reserves balances totalling £60.5m at 31 March 2022. Of these balances £20.3m remaining uncommitted, un-ringfenced and available to use for transformational investment or unforeseen incidents. There are specific reserves to mitigate the risks for the budget, insurance claims and local tax income receipts.

The approved tactical budget reduces the Council's reliance on the use reserves to fund everyday revenue expenditure, and instead seeks to protect reserve balances to increase the financial resilience of the Council.

The following table provides an overview of the reserves balances forecast:

As at 31 March:	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**
General Fund	7,300	7,300	7,300
Usable Reserves (Capacity and Departmental)	29,993	20,938	20,629
Risk and volatility Reserves	19,001	14,329	14,329
Ring-Fenced Reserves	4,183	3,741	3,741
TOTAL Earmarked and General Fund Balance	**60,477**	**46,309**	**46,000**

A Reserve Strategy will form part of the new MTFS to be published in the Autumn of 2022. The adequacy of reserves balances will be further reviewed and include detailed assessment of all the individual reserve accounts, the collective sum of those reserves against the risks. That MTFS will almost certainly require a managed increase in the totality of the Council's reserves over the medium-term to increase its financial resilience, and a reclassification of existing reserves to ensure they cover the Council's greatest areas of risk.

Cash Flow Forecast

As at 31 March:	**2022**	**Estimated 2023**	**Estimated 2024**
Borrowings (Note 28)	£495.6m	£476.9m	£480.0m
Capital Financing Requirement (Note 25)	£614.0m	£596.1m	£600.1m
'Under borrowed' position	**£118.4m**	**£119.2m**	**£120.1m**
Ability to borrow 'in advance of need' limit	£750.2m	£702.3m	£710.6m

The previous table shows the total indebtedness and borrowing limit estimates for the Council up to the end of September 2023. As per legislation, the Council can only borrow to fund capital expenditure, and for short-term cash flow variations. Therefore, factors which the Council takes into consideration for cash flow projections include:

- the Capital Financing Requirement (CFR) - this a measure of the capital expenditure incurred historically by the Council that has yet to be financed.
- the ability for the Council to borrow for its capital programme 'in advance of need' in order to take advantage of favourable interest rates that might be available now for future capital expenditure. This activity is reflected in the 'Operational Boundary and Authorised Limit' performance measure, with further information about these aspects found in the Treasury Management Strategy, included in the 2022/23 Medium Term Financial Plan.

The 'under borrowed' position, or internal borrowing position, shown in the previous table is consistent with the Council's Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet i.e., reserve cash balances, creditor payment timings, and Collection Fund tax collection. It means that the Council has £119.2m before its actual borrowing amount equals its CFR, as Councils can only borrow to fund capital. This provides the 'headroom' on the amount of borrowing permissible to fund all Council operating activities.

The Council's debt maturity profile facilitates the strategy to take new borrowing as short term in terms of the risk management of maturing debt. Short term debt is preferably taken from Local Authorities as those short-term rates are more competitive than the equivalent Public Works Loan Board (PWLB) rates and supports the sector as a whole. Should the availability of Local Authority borrowing reduce, then the Council will access borrowing from the PWLB at a term length relevant to its interest rate, existing maturity profile and the assets being funded.

We have considered the group boundary with regards to impact on the Council's cashflow and conclude that there are no material uncertainties with the groups borrowing position.

Conclusion

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months to 30 September 2023.

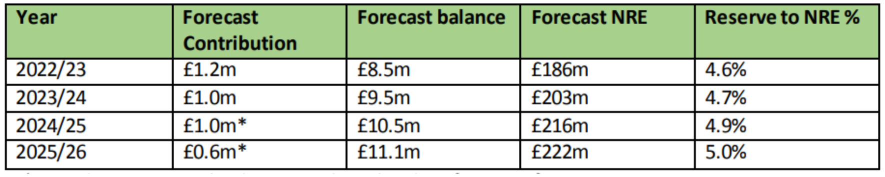
This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £30.4m at 31 March 2022. The forecast position for 30 September 2023 is for short term investment balances of £27.8m and the ability for additional borrowing of up to £710.6m.

As with all budget's, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks. The Council has a reasonable expectation that it will have adequate resources to maintain continuity of service provision as outlined in the budget proposals set out in its tactical budget 2022/23.

July 2023 Update

The financial position as at 30 June 2023 is different from that when the accounts were originally written. The Council's financial position is substantially improved. The years 2021/22 and 2022/23 ended with underspends of £4.5m and £0.6m. These underspends have helped the financial sustainability of the Council.

The Council has a target balance in the General Fund Reserve of £11.1m. The Council is forecast to reach that by 2025/26, with the forecast as laid out in the table below.



Year	Forecast Contribution	Forecast balance	Forecast NRE	Reserve to NRE %
2022/23	£1.2m	£8.5m	£186m	4.6%
2023/24	£1.0m	£9.5m	£203m	4.7%
2024/25	£1.0m*	£10.5m	£216m	4.9%
2025/26	£0.6m*	£11.1m	£222m	5.0%

A balanced budget for 2023/24 has been agreed, which continues to prioritise services as well as well financial sustainability.

The Medium Term Financial Strategy, published on 10 July 2023, shows a financial pressure in 2024/25 of £5m but the Council is now addressing this gap as part of the 2024/25 budget setting process and has a programme to set a balanced budget.

The latest cash flow forecast shows £80m of debt forecast to be repaid this year, with current cash liquidity of £32m. The Council bought its own office building in May 2023, Sand Martin House, as an invest to save and funded half of the costs internally without borrowing.

Peterborough City Council continues to operate as a going concern with significantly stronger financially sustainability. The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern for the 12 months to 31 July 2024.

This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £31m at July 2023. The forecast position for July 2024 is for short term investment balances of £40m and the ability for additional borrowing of up to £660m.

As with all budgets, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks. The Council expects that it will have adequate resources to maintain continuity of service provision as outlined in the budget proposals set out in its tactical budget 2023/24.

47 Authorisation of the Accounts

The Executive Director of Corporate Resources authorises these accounts to be issued by the 20 July 2023.

The Collection Fund and Notes

31 March 2020	**Collection Fund Statement**	**Notes**	**31 March 2021**		
£000			**Business Rates £000**	**Council Tax £000**	**Total £000**
	Income				
(96,774)	Council Tax Receivable		-	(101,933)	(101,933)
(100,310)	Business Rates Receivable	3	(59,079)	-	(59,079)
	Contribution to Previous Year's Deficit:				
506	Peterborough City Council	4	2,342	-	2,342
10	Cambridgeshire & Peterborough Fire Authority		48	-	48
516	Central Government		2,389	-	2,389
(196,052)	Total Income		(54,300)	(101,933)	(156,233)
	Expenditure				
	Precepts:				
78,048	Peterborough City Council	4	-	83,310	83,310
4,071	Cambridgeshire & Peterborough Fire Authority		-	4,260	4,260
12,815	Cambridgeshire Police Authority		-	13,748	13,748
94,934	Total Precepts		-	101,318	101,318
	Business Rates Share:				
45,383	Peterborough City Council	4	47,440	-	47,440
926	Cambridgeshire & Peterborough Fire Authority		968	-	968
46,309	Central Government		48,408	-	48,408
92,618	Total Business Rates Shares		96,816	-	96,816
	Charges to Collection Fund:				
2,737	Increase / (Decrease) in Bad Debt Provision		6,699	1,378	8,077
(293)	Increase / (Decrease) in Provision for Appeals		530	-	530
271	Cost of Collection		269	-	269
1,001	Transitional Payment Protection		1,716	-	1,716
343	Renewable Energy Disregard	4	349	-	349
4,059	Total Charges to Collection Fund		9,563	1,378	10,941
	Contribution to Previous Year's Estimated Surplus:				
201	Peterborough City Council	4	-	663	663
11	Cambridgeshire & Peterborough Fire Authority		-	35	35
31	Cambridgeshire Police Authority		-	109	109
243	Total Contribution to Previous Year's Estimated Surplus		-	807	807
(4,198)	**(Surplus) / Deficit Arising During the Year**		**52,079**	**1,570**	**53,649**
	Collection Fund Balance				
(786)	(Surplus) / Deficit Brought Forward 1 April		(4,360)	(625)	(4,985)
(4,198)	(Surplus) / Deficit Arising During the Year		52,079	1,570	53,649
(4,984)	**(Surplus) / Deficit Carried Forward 31 March**		**47,719**	**945**	**48,664**
	Allocated to:				
(2,649)	Peterborough City Council		23,382	777	24,159
(71)	Cambridgeshire & Peterborough Fire Authority		477	40	517
(84)	Cambridgeshire Police Authority		-	128	128
(2,180)	Central Government		23,860	-	23,860
(4,984)	**Total**		**47,719**	**945**	**48,664**

1. Collection Fund Overview

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

There is no requirement for a separate Collection Fund balance sheet. Instead, Collection Fund balances are distributed across the balance sheet of the billing authority, the Government and precepting authorities.

2. Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	35,357	23,571
B	7/9	21,853	16,997
C	8/9	14,494	12,884
D	9/9	8,368	8,368
E	11/9	4,521	5,526
F	13/9	1,942	2,805
G	15/9	982	1,637
H	18/9	73	146
Total		87,590	71,934

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc.; and the Council Tax Support Scheme and non-payment which are at the discretion of each council. The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 59,093 (57,555 for 2019/20).

3. Non-Domestic Rates

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by the Government.

For 2020/21 the total non-domestic rateable value at the year-end is £238.0m (£237.6m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

4. Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below.

2019/20 *£000*	Council Precept	NDR £000	Council Tax £000	2020/21 Total £000
(123,431)	Precept / Share	(47,440)	(83,310)	(130,750)
(344)	Estimated Renewable Energy Disregard (RED)	(350)	-	(350)
1	Difference between actual & estimated RED	(1)	-	(1)
(707)	Share of Prior Year Estimated Deficit / (Surplus)	(2,342)	(663)	(3,005)
527	Reverse actual share prior year Deficit / (Surplus)	2,136	514	2,650
(2,649)	Share of Deficit / (Surplus)*	23,382	777	24,159
(126,603)	**Total (Note 11)**	**(24,615)**	**(82,682)**	**(107,297)**

*As a result of Covid-19 the government expanded the scope of the existing retail relief scheme to provide businesses with 100% relief during lockdown. This significantly reduced the amount of income received from business ratepayers for the year, however the government fully funded the cost of the relief, providing approximately £44.7m of section 31 (S31) grants. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This shows a significant increase in available reserves which are earmarked to fund the 2021/22 Collection Fund deficit. Note 15 page 45.

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices are mainly the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost. However, some non-current assets and financial instruments are revalued.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

Supplies are recorded as expenditure when they are consumed. If there is a gap between supplies being received and their use, they are carried as inventories on the Balance Sheet.

Services (including by employees) are recorded as expenditure when the services are received, rather than when payments are made.

Interest on borrowing and investments is accounted for using the effective interest rate of the financial instrument, not contract payments.

A debtor is recorded in the Balance Sheet where revenue has been recognised but cash not received.

A creditor is recorded in the Balance Sheet where expenditure has been recognised but cash not paid.

The balance of debtors is written down and a charge made to revenue for any income that might not be collected.

Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with financial institutions repayable without penalty on 24 hours' notice or less.

Cash equivalents are highly liquid investments. They mature within three months of acquisition. They are readily convertible to a known cash value. There is an insignificant risk the value on conversion will change.

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

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 policies are only made:

- when required by proper accounting practices
- to provide more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change in accounting policies is made, it is applied retrospectively (unless stated otherwise). This is done by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Changes in accounting estimates are accounted for in current and future accounting periods. Changes in accounting estimates do not give rise to a prior period adjustment.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged the cost of holding non-current assets: These charges are:

- depreciation
- revaluation and impairment losses (if there are sufficient accumulated gains in the Revaluation Reserve, such losses are written off against these)
- amortisation of intangible assets.

The Council does not raise Council Tax to fund any of these charges.

The Council must however make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

Charges to the General Fund for non-current assets are replaced by the MRP. There is an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

Council Tax and Business Rates

The Council is a billing authority and collects business rates (NDR) and council tax.

It collects council tax on behalf of itself and major preceptors. The major preceptors are Cambridgeshire and Peterborough Fire Authority and Cambridgeshire Police and Crime Commissioner.

The Fire Authority and the Government are entitled to shares of business rates income.

The Council must maintain a separate Collection Fund. The Fund accounts for the collection and distribution of amounts due in respect of council tax and business rates.

Under legislation billing authorities, major preceptors and Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than forecast.

Accounting for Council Tax and Business Rates

The Council's share of council tax and business rates income is included in the Comprehensive Income and Expenditure Statement (CIES). However, regulations determine the amount of council tax and business rates that must be included in the Council's General

Fund. The difference is recognised in the Collection Fund Adjustment Account and is included as a reconciling item in the MIRS.

The Balance Sheet includes the Council's share of the year-end balances of council tax and business rates. These are arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Termination Benefits

Termination benefits reflect a decision by the Council to terminate an officer's employment before the normal retirement date. They may also reflect an officer's decision to accept voluntary redundancy. Termination benefits are charged in the appropriate service segment in the CIES.

The benefits are recognised when the offer of those benefits is irrevocable or when the Council recognises restructuring costs whichever is the earlier.

Termination benefits may involve the enhancement of pensions. Statutory provisions require the General Fund Balance to be charged with the amount payable to the pension fund or pensioner in the year. This may be different from the amount calculated under accounting standards. In the MIRS appropriations are made to charge the General Fund Balance as required by statute.

Post-employment Benefits

Employees of the Council may be members of three separate pension schemes:

- The Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council.
- The Teachers' Pension Scheme, it is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions). The benefits are earned as employees work for the Council.

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet. The People and Communities line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The People and Communities and Public Health lines are charged for the NHS scheme.

The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

Fund liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future retirement benefits earned to date by employees.

The assessment uses assumptions about mortality rates, employee turnover and future earnings of current employees.

Scheme liabilities are discounted to their current value. The discount rate is set by the actuary. It mirrors the yield on high quality corporate bonds.

The fund assets 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 net pension's liability is the difference between fund liabilities and assets. The change in the net pension's liability is analysed between service cost and re-measurements.

The service cost element is the change in current and past service costs plus a net interest change.

Pension liabilities increase over the accounting period as scheme members earn increased benefits. This is the current service cost. Current service cost is charged in the CIES to the services for which employees worked.

Past service cost is the increase in liabilities as a result of a scheme amendment or curtailment. The change applies only to benefits earned in previous accounting periods. Past service cost is charged to Resources in the CIES.

Net interest on the net defined benefit liability is calculated by applying the discount rate to the net liability during the accounting period. It is charged below the cost of services in the CIES as part of the deficit in the provision of services.

Re-measurements are the return on plan assets and actuarial gains and losses. Re-measurements are charged below the deficit on the provision of services in the CIES.

The return on plan assets excludes the net interest on liabilities that is already included in the service element.

Actuarial gains and losses are differences from past actuarial assumptions or changes in the assumptions

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to 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.

Events after the Balance Sheet Date

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect,

disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.

But for three stepped rate loans, the amount charged to revenue is based on the effective interest rate.

Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.

For these loans the difference between the annual charge and the cash paid is reversed out in the MIRS.

Any premium or discount on redemption of loans is added to the amortised value of the replacement loan. Premiums and discounts are written down to the CIES. This is done by adjusting the effective interest rate. Regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the charge over the remaining term of the loan replaced.

The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

When soft loans are made, a loss is recorded in the CIES (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 CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement.

Instruments Entered Into Before 1 April 2006

The Council entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts in the contingent liability note in accordance with the Contingent Liability accounting policies.

Government Grants and Contributions

Government grants and third party contributions and donations are recognised 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

This applies whether the grants and contributions are paid on account, by instalments or in arrears. Grants and contributions are held as creditors in the Balance Sheet until conditions have been satisfied.

Grants and contributions are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

Once conditions are satisfied, the grant or contribution is credited to the CIES. For attributable revenue grants and contributions this is to the relevant service line. For non-ring-fenced revenue grants and all capital grants this is the Taxation and Non-specific Grant Income and Expenditure line.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Highways Infrastructure

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g., bridges), street lighting, street furniture (e.g., illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Highways Engineer using industry standards where applicable and vary depending on the asset classification.

Infrastructure in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed. It is not broken down on an asset by asset basis.

Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance. These have been recorded in the Council's fixed asset register on an infrastructure asset type basis rather than by individual asset. Additions and enhancements from projects may relate to a number of infrastructure assets.

The infrastructure balance has been reduced annually by depreciation. This has been calculated using the Council's depreciation policy.

Disposals and Derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (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). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Part of the highways network	Useful life
Roads construction and reconstruction	30 years
Carriageway resurfacing	15 years
Carriageway surface dressing / retexturing	10 years
Safety fencing	40 years
Footway resurfacing	25 years
Footway reconstruction	25 years
Bridges	30 years
Subways	20 years
Footpaths construction	30 years
Kerbs and channels	50 years
Cycleways	30 years
Roundabouts	30 years
Drainage/piping works	50 years
Traffic calming/traffic control/RTPI	10 years
Car parks	5 years

Bus Stops	10 years
Streetlights	30 years
Road marking and studs	2 years
Anti-Skid/ high friction surfacing	5 years
Cycle counters	10 years
Cycle shelters	25 years
EV charging points	10 years

Intangible Assets

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

Internally generated assets are capitalised where:

- It is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available)
- The Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset. Capitalisation is restricted to the development phase. Research expenditure is not capitalised.

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 measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. This is the case with the Mayor's car licence plate.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are charged to the relevant service line in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the CIES.

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 MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures which require it to prepare group accounts if material. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Investment Properties

Investment properties are used solely to earn rentals and capital appreciation. Property is not investment property if:

- used to deliver services
- used to produce goods
- held for sale.

Investment properties are measured initially at cost. They are subsequently carried at fair value. Fair value is the price that would be received selling the 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the CIES and increase the General Fund Balance.

Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the CIES. Statute prevents such gains and losses having an impact on the General Fund Balance. They are transferred out of the General Fund Balance in the MIRS. They are transferred to the Capital Adjustment Account. Sale proceeds greater than £10,000 are transferred to the Capital Receipts Reserve.

Leases

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

Leases may comprise both land and buildings. The land and buildings elements are classified separately.

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

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment is recognised on the Balance Sheet at fair value at the start of the lease. The present value of the minimum lease payments is used if lower.

The asset is matched by a liability to pay the lessor. Initial direct costs of the Council are added to the carrying amount. The lease liability is written down by any premium paid on entry.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition, which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. But depreciation is charged over the lease term if:

- the lease term if this is shorter than the asset's estimated useful life, and also
- ownership of the asset does not transfer to the Council at the end of the lease period.

The Council does not raise Council Tax to cover depreciation or revaluation and impairment losses. A prudent contribution is made from revenue funds under statutory requirements.

The difference is accounted for by a transfer from the MIRS to the Capital Adjustment Account.

Operating Leases

Rentals are charged to the relevant service line in the CIES. Charges are spread equally over the life of the lease. The pattern of actual payments under the lease may be different.

Council as Lessor

Finance Leases

At the start of the lease the carrying amount of the asset is written out of the balance sheet. The write out is charged to the Other Operating Income and Expenditure line in the CIES.

The Council's net investment in the lease is credited to the same line and a long-term debtor asset is created in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease debtor (any premiums received are also used to write down the lease debtor) and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the CIES.

A gain on disposal is credited to the CIES. Statute does not allow the gain to increase the General Fund balance. The gain is required to be treated as a capital receipt.

A premium may be received on the grant of a lease. Any premium is transferred out of the General Fund Balance to the Capital Receipts Reserve in the MIRS.

A finance lease may be settled by the payment of rentals in future financial years. The income is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS.

The capital receipt element of rentals writes down the lease debtor. Deferred capital receipts for the disposal are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under capital financing. Write-offs are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

For an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the CIES.

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example, if 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 asset. The costs are charged over the lease term in the same way as rental income.

Overheads and Support Services

The costs of overheads and support services shown as part of the Directorates that they are managed within in accordance with the Council's arrangements for accountability and financial performance.

Property, Plant and Equipment (PPE)

Assets that are classified as Property, Plant and Equipment if they:

- have physical substance
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes
- are expected to be used during more than one financial year.

Recognition

The acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided:

- it is probable that future economic benefits or service potential will flow to the Council
- the cost of the item can be measured reliably.

Repair and maintenance expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial substance and will not lead to a variation in the cash flows of the Council.)

Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. Any difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the CIES.

If the donation has been made conditionally the gain is held in the Donated Assets Account until conditions are satisfied. Gains credited to the CIES are transferred out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the measurement bases set out below.

- Community assets and assets under construction are measured at historical cost.
- All other assets are measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use (EUV).

For surplus assets the current value measurement base is fair value. This is estimated at highest and best use from a market participant's perspective

There may be no market-based evidence of current value because of the specialist nature of an asset. If so depreciated replacement cost (DRC) is used as an estimate of current value.

Some non-property assets have short useful lives or low values. Depreciated historical cost basis is used as a proxy for their current value.

<u>Revaluation</u>

Assets carried at current value are valued regularly. This ensures their carrying amount is not materially different from their current value at the end of the accounting period. As a minimum revaluation takes place every five years.

Increases in valuations are unrealised gains. They are credited to the Revaluation Reserve.

Gains that reverse a previous loss charged to a service are credited to the surplus or deficit on services in the CIES.

Assets that are demolished will be revalued to Nil unless it is material and revalued in the following year.

<u>Decreases in value</u>

The carrying amount is written down against any balance of gains for that asset in the Revaluation Reserve. Otherwise, the carrying amount is written down against the relevant service line in the CIES.

The Revaluation Reserve was implemented in April 2007. It only recognises gains since then. Gains before have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

If the recoverable amount of an asset is materially different from its carrying value, an impairment loss is recognised.

The value is written down against any gains for the asset in the Revaluation Reserve. Otherwise, the carrying amount is written down against the relevant service line in the CIES.

If the loss is later reversed, it is credited to the relevant service line(s) in the CIES. The reversal is up to the amount of the original loss. An adjustment is made for depreciation that would have been charged if the loss had not been recognised.

<u>Disposal and Decommissioning</u>

Assets held for sale or PPE may be sold or decommissioned. The carrying amount in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES. This transfer is part of the gain or loss on disposal. In the case of academy school transfers, the loss on disposal for nil consideration is charged to the Financing and Investment Income and Expenditure line in the CIES.

An additional transfer will be made of the difference between the carrying value and the disposal proceeds. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The balance of receipts remains within the Capital Receipts Reserve. They can then only be:

- used for new capital investment
- 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 MIRS.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets 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 MIRS.

Depreciation

Depreciation is provided on all PPE assets. The depreciable amount is systematically allocated over an asset's useful life.

An exception is made for assets without a determinable finite useful life. These include:

- freehold land
- certain Community Assets
- assets that are not yet available for use
- assets under construction.

Basis of Depreciation

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a Valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset in the Balance Sheet, as advised by a suitably qualified officer

Where a PPE asset has major components, whose individual cost is significant compared to total cost, the components are depreciated separately.

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

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements for the Council to receive services. The PFI contractor is responsible for making available the PPE needed to provide the service. The Council is deemed to control the services that are provided under its PFI scheme. Ownership of the PPE will pass to the Council at the end of the contract for no additional charge. The Council therefore carries the assets used under the contract on its Balance Sheet as part of PPE.

The original recognition of these assets was at fair value. Fair value was calculated on the cost of purchasing the PPE. A liability for amounts due to the scheme operator for the capital investment was also recognised.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as PPE owned by the Council.

Amounts payable to the PFI operator each year are analysed into four elements:

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES

- contingent rent – increases in the amount to be paid for the property - these are debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator - the profile of write-downs is calculated using the same principles as for a finance lease.

Provisions

Provisions are made:

- where an event has taken place that gives the Council a legal or constructive obligation
- that the obligation probably requires settlement by a transfer of economic benefits or service potential
- 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 CIES. Provisions are charged in the year that the Council becomes aware of the obligation. They 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.

Payments eventually made are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Some or all of the payment required to settle a provision may be expected to be recovered from another party (e.g. from an insurance claim). This is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits. These reserves are not usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 for the Council has been charged as expenditure to the relevant service in the CIES 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 that there is no impact on the level of Council Tax.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e., those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements.

Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

PPE assets remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled schools) have not been incorporated into the Council's Balance Sheet.

- The Council transfers academy school assets on a 125-year lease in accordance with national guidelines. As such they are subject to lessor finance lease policies (see leases policy).

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 (HMRC). VAT receivable is excluded from income.

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, associates or joint venture, all of which have been considered for consolidation. One of these, Peterborough Limited trading as Aragon Direct Services, is considered to be material to the financial statements. Details of the companies considered for consolidation are shown further down.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Peterborough Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories;

- Subsidiaries - where the Council exercises control and gains benefits or has exposures to risks arising from this control. Where material these entities are included in the group
- Associates – where the Council exercises a significant influence and has a participating interest.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material, they are included in the group
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group

In accordance with this requirement, the Council has determined its Group Relationships as follows:

Name of Company	Type	Status
Peterborough Ltd	Subsidiary	Consolidated
Blue Sky Peterborough Limited	Subsidiary	Dormant
Opportunity Peterborough Limited	Subsidiary	Not material
Peterborough Investment Partnership LLP	Joint Venture	Not material
Medesham Homes LLP	Joint Venture	Not material
Medesham Limited	Joint Venture	Not material
NPS Peterborough Limited	Joint Venture	Not material
Empower Peterborough Community Interest Company	Joint Venture	Not material
Peterborough HE Property Company Ltd	Associate	Not material
Peterborough Museum & Art Gallery	Sole Trustee	Not material

Details of the bodies which have not been consolidated into the Group Accounts are contained in Note 13 Interest in Companies and Note 12 Related Parties.

Peterborough Ltd – Trading as Aragon Direct Services (ADS) and from 1 October 2020 also trading as Vivacity.

The Company is a wholly owned subsidiary of the Council which was incorporated on 31 July 2018. It is a company limited by shares and the share capital, held by the Council, is £1. Peterborough Ltd has been set up as a Teckal company which means that a minimum of 80% of its income will come from the Council.

Within ADS there are currently seven business units within its operations division:

- Recycling and waste - ADS carry out kerbside and communal collections for residual waste, recycling, food waste and garden waste. These are currently collected on alternate weekly collection system, residual waste one week and mixed recyclables the following week with a weekly food waste collection across most of the Council's area. Separately residents can opt into a paid for garden waste collection service, collected the same week as the recycling bin.
- Parks, trees and open spaces - ADS carry out landscaping and grounds maintenance including grass cutting, shrub and planted bed maintenance, hanging baskets, cleaning of litter from planted areas, tree maintenance and planting. This service area covers general grassed areas, sports pitches, as well as formal parks. They also carry out play inspection, maintenance and installation as well as specialist arboriculture services including inspection and works delivery.
- Street Cleaning - ADS carry out cleansing on public land and highways including removal of litter and detritus through manual and mechanical means, litter bin emptying, graffiti removal, street washing and fly tipping removal.
- Property and Professional Services - ADS have a multi-skilled team, who provide a range of services, including reactive and planned maintenance with robust programmes to deliver and capture statutory and routine premises checks, as well as design and construction works. This includes repair and upkeep of electrical, heating, air conditioning, gas, fire and intruder alarms as well as structural repairs and maintenance. The service also provides for the development and delivery of building extensions and new build for the Council across its services.
- Passenger Transport - ADS provide provision of buses and drivers for home to school transport, including Special Educational Needs (SEN) with additional staff to cater for service users' specific needs.
- Building Cleansing - ADS provide building cleaning to council properties as well as various commercial locations.
- Fleet Maintenance - ADS maintain a fleet of 138 vehicles, including preventative maintenance inspection regime, reactive repairs and compliance and fleet planning.

On 1 October 2020 Peterborough Ltd took over the management of the Council's leisure facilities and operates those services on behalf of the Council through a Service Level Agreement. The leisure facilities are operated under the Vivacity brand, which was taken over by the Council from Vivacity Trust when the Funding and Management Agreement with the Council was terminated.

Over the next three years ADS will focus on three main areas to move the business forward:

- Expanding its business
- Challenging the status quo and thinking differently
- Building strong foundations.

The summary results of Peterborough Ltd to the year ended 31 March 2021 are shown in the table below.

2019/20 £000	**Peterborough Limited**	**2020/21 £000**
	Statement of Financial Position	
2,877	Current Assets	3,362
-	Non-Current Assets	25
(1,599)	Current Liabilities	(2,498)
(1,750)	Non-Current Liabilities	(925)
(472)	**Net Assets for the Accounting Period**	**(36)**
	Statement of Comprehensive Loss	
14,314	Revenue	18,402
(13,626)	Cost of Sales	(17,961)
(1,104)	Other Operating Income and Expenditure	72
-	External Audit Fees	(15)
(416)	(Loss)/Profit Before Tax	498
(416)	(Loss)/Profit After Tax	498

Group Comprehensive Income and Expenditure Statement (CIES)

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

2019/20				**2020/21**		
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £000*	**Comprehensive Income & Expenditure Statement (CIES)**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
1,168	*(15)*	*1,153*	Business Improvement	741	-	741
2,590	*(823)*	*1,767*	Chief Executives	1,876	(561)	1,315
8,711	*(901)*	*7,810*	Customer & Digital Services	8,588	(1,802)	6,786
6,816	*(2,103)*	*4,713*	Governance	4,960	(779)	4,181
285,347	*(184,203)*	*101,144*	People & Communities	276,020	(183,965)	92,055
43,614	*(15,306)*	*28,308*	Place & Economy	44,397	(19,755)	24,642
11,289	*(11,000)*	*289*	Public Health	12,252	(12,717)	(465)
84,139	*(58,650)*	*25,489*	Resources	75,250	(64,946)	10,304
13,424	*(1,593)*	*11,831*	Peterborough Limited	18,300	(1,695)	16,605
457,098	*(274,594)*	*182,504*	**Cost of Services**	**442,384**	**(286,220)**	**156,164**
8,750	*(1,991)*	*6,759*	Other Operating Income & Expenditure	28,366	(7,449)	20,917
38,819	*(6,186)*	*32,633*	Financing & Investment Income & Expenditure	43,094	(5,047)	38,047
2,828	*(178,801)*	*(175,973)*	Taxation & Non-Specific Grant Income & Expenditure	2,726	(191,472)	(188,746)
507,495	*(461,572)*	*45,923*	**(Surplus) / Deficit on Provision of Services**	**513,426**	**(487,604)**	**26,382**
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(7,874)
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			88,115
		(147,043)	**Other Comprehensive Income & Expenditure**			**80,241**
		(101,120)	**Total Comprehensive Income & Expenditure**			**106,623**

Group Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the whole Group, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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.

Movement in Reserves during 2019/20 and 2020/21	**Council's Usable Reserves**	**Subsidiary Usable Reserves**	**Total Group Usable Reserves**	**Council's Unusable Reserves**	**Subsidiary Unusable Reserves**	**Total Group Unusable Reserves**	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2019	(49,256)	9	(49,247)	302,266	-	302,266	253,019
Total Comprehensive Income & Expenditure	*43,277*	*355*	*43,632*	*(147,571)*	-	*(147,571)*	*(103,939)*
*Adjustments between Group accounts and Council accounts**	*(11,522)*	*11,522*	-	-	-	-	-
Total Comprehensive Income & Expenditure	*31,755*	*11,877*	*43,632*	*(147,571)*	-	*(147,571)*	*(103,939)*
Adjustments between accounting basis & funding basis under regulations	*(32,658)*	-	*(32,658)*	*32,658*	-	*32,658*	-
(Increase) /Decrease in 2019/20	*(903)*	*11,877*	*10,974*	*(114,913)*	-	*(114,913)*	*(103,939)*
Balance at 31 March 2020	*(50,159)*	*11,886*	*(38,273)*	*187,353*	-	*187,353*	*149,080*
Balance at 1 April 2020							
Total Comprehensive Income & Expenditure	26,705	(323)	**26,382**	80,241	-	**80,241**	**106,623**
Adjustments between Group accounts and Council accounts*	(16,475)	16,475	**-**	-	-	**-**	**-**
Net Increase before Transfers	10,230	16,152	**26,382**	80,241	-	**80,241**	**106,623**
Adjustments between accounting basis & funding basis under regulations	(63,535)	-	**(63,535)**	63,535	-	**63,535**	**-**
(Increase) / Decrease in 2020/21	(53,305)	16,152	**(37,153)**	143,776	**-**	**143,776**	**106,623**
Balance at 31 March 2021	**(103,464)**	**28,038**	**(75,426)**	**331,129**	**-**	**331,129**	**255,703**

*These adjustments remove income and expenditure between the Council and Peterborough Limited

Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories.

- The first category of reserve are usable reserves, i.e., those reserves that the Group 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 may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes the 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 2020	**Balance Sheet**	**Notes**	**31 March 2021**
£000			**£000**
385,895	Property, Plant & Equipment		365,551
181,173	Highways Infrastructure		187,936
23,551	Investment Property		21,823
8,405	Intangible Assets		5,971
-	Long Term Investment		1,870
21,159	Long term Debtors		4,258
620,183	**Long Term Assets**		**587,409**
3	Short Term Investments		-
683	Inventories	2	703
60,885	Short Term Debtors	3	106,586
11,730	Cash & Cash Equivalents	6	20,352
-	Current Intangible Asset		-
2,015	Assets Held for Sale		-
75,316	**Current Assets**		**127,641**
(106,457)	Short Term Borrowing		(98,423)
(70,246)	Short Term Creditors	4	(108,215)
(10,174)	Provisions		(9,445)
(186,877)	**Current Liabilities**		**(216,083)**
(221,488)	Long Term Creditors (Pension Liability)		(314,388)
(356)	Provisions		(456)
(374,587)	Long Term Borrowing		(374,587)
(44,807)	Other Long Term Liabilities		(43,619)
(19,638)	Capital Grants Receipts in Advance		(21,620)
(660,876)	**Long Term Liabilities**		**(754,670)**
(152,254)	**Net (Liabilities) / Assets**		**(255,703)**
(36,221)	Usable Reserves		(75,426)
188,475	Unusable Reserves		331,129
152,254	**Total Reserves**		**255,703**

Cecilie Booth –Executive Director of Corporate Resources July 2023

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group'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 Group.

2019/20		Notes	**2020/21**
£000	**Cash Flow Statement**		**£000**
46,278	Net (Surplus) / Deficit on the Provision of Services		26,382
(77,051)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(114,265)
(4,275)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		25,380
(35,048)	**Net Cash Flows from Operating Activities**		**(62,503)**
59,726	Investing Activities	5	39,547
(20,393)	Financing Activities		14,334
4,285	**Net (Increase) / Decrease in Cash & Cash Equivalents**		**(8,622)**
16,015	Cash & Cash Equivalents at the Beginning of the Reporting Period		11,730
(4,285)	Increase / (Decrease) in Cash and Cash Equivalents		8,622
11,730	**Cash & Cash Equivalents at the end of the Reporting Period**	6	**20,352**

1. Group - External Audit Costs

The Group has incurred the following cost on the audit of the Statement of Accounts. This was provided by Ernst and Young LLP (EY) for the Council and Azets Audit Services for Peterborough Ltd.

*2019/20** *£000*	**External Audit Costs**	**2020/21** **£000**
213	Fees payable with regard to external audit services for carried out by Peterborough City Council by the appointed auditor*	295
22	Fees payable with regard to external audit services for Peterborough Limited carried out by the appointed auditor**	13
-	Other services provided by the appointed auditor	-
235	**Total**	**308**

* 2019/20 figures have been restated to reflect the final payment previously stated at £161k

** Peterborough Limited auditor changed from EY in 2019/20 to Azets Audit Services in 2020/21

The Audit Costs include fees for the completion of the audit by EY of £295k (2019/20 £213k) and Azets Audit Services of £22k (2019/20 £13k). The increase in fees for 2019/20 for the Council is contained in the EY 'Audit Results Report' which was considered at Audit Committee on 16 November 2020. On page 41 of this report, it details that the increase in fee is based on the following factors:

- the lowering of the audit materiality from the prior year and the resulting impact on audit testing across the primary financial statements and supporting notes
- the need to scope and audit the group accounts for the first time
- the need to audit significant and heighted risk as presented in the report
- the need to engage in EY Real Estate to review the valuation of Depreciated Replacement Cost assets
- the need to engage EYs advisory experts to support its assessment of the Council's future plans to address concerns on its future financial resilience

The 2019/20 restatement reflects the additional audit fees of £25k incurred in relation to:

- the need to engage in EY Real Estate to review the RICs guidance to valuers which considered the uncertain impact to asset valuations following Covid-19
- the audit adjustments identified in the EY report
- the impact of the McCloud consultation on the pension liability
- the impact of Covid-19 on EY's audit procedures and the Council's going concern assessment
-

2. Group - Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

31 March 2020 *£000*	**Inventories**	**31 March 2021** **£000**
397	Westcombe Industries Stock	360
222	Peterborough Limited Stock	237
64	Other Stock Balances	106
683	**Total**	**703**

3. Group - Debtors

Amounts owed to the Group but not yet received at the year-end are as follows.

31 March 2020 *£000*	**Debtors** (Each item is net of impairment)	**31 March 2021** **£000**
9,228	Cambridgeshire & Peterborough CCG	2,488
2,674	Cambridgeshire & Peterborough Combined Authority	1,315
1,284	Capital Funding Contributions	507
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NNDR Arrears	8,973
1,594	Other NHS Organisations	2,217
7,956	Payments in Advance	6,503
2,108	Commercial Property Rent Arrears	355
-	Empower Loan	20,400
-	Capital General Debtors	1,165
899	Peterborough Limited Debtors	362
15,968	General Debtors	17,685
60,890	**Total Debtors**	**106,586**

4. Group - Creditors

Amounts owed by the Group for goods and services received prior to the year-end are as follows.

31 March 2020	Creditors	31 March 2021
£000		£000
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(920)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	Covid-19 Grants	(11,012)
(13,395)	Deposits / Receipts in Advance	(19,082)
(2,916)	Accrual Accumulated Absences	(3,496)
(1,260)	Short Term Finance Lease Liabilities	(1,192)
(1,546)	Peterborough Limited Creditors	(1,646)
(36,590)	General Creditors	(42,335)
(70,246)	**Total Creditors**	**(108,215)**

5. Group - Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20	Cash Flow Statement – Investing Activities	2020/21
£000		£000
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,142
18,946	Other Payments for Investing Activities	7,143
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
59,726	**Net cash flows from investing activities**	**39,547**

6. Group - Cash Flow Statement – Cash & Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The ‘Bank Current Accounts’ line includes payments that have not yet cleared in the actual bank accounts.

2019/20	Cash Flow Statement – Cash and Cash Equivalents	2020/21
£000		£000
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
1,992	Bank Current Accounts	2,189
11,730	**Total Cash & Cash Equivalents**	**20,352**

Accounting Policies

The accounting policies of the Group are the same as those applied to the Council’s single entity accounts.

Glossary

Accounting Period - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

Accruals - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

Accumulating Compensated Absences Adjustment Account – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

Amortisation – The reduction in the useful economic life of a long term intangible asset. This may arise with the passing of time. It may also arise through obsolescence or technological changes.

Annual Governance Statement – Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Balance Sheet – This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of the Council. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall in income. The Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget - A statement of a Council's plans for net revenue and capital expenditure.

Business Rates Retention Scheme – the name given to the system of funding local authorities through the local government finance settlement. The local government sector retains 50% of the business rates they collect. In addition, they also receive Revenue Support Grant to help support their services. The Government plans to introduce 75% retention by councils in 2019/20.

Capital Adjustment Account – This account was created at the end of financial year 2006/07. Its opening balance was made up of the balance on the Fixed Asset Restatement Account (FARA) and the Capital Financing Account.

Capital Charge - A charge to service revenue accounts for the cost of non-current assets used in the provision of their services.

Capital Expenditure - Expenditure on the acquisition or development of major assets which will be of use or benefit to the Council in providing its services beyond the year of account.

Capital Grant - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by a Council. An example would be grants to homeowners to meet the cost of improving their houses.

Capital Receipt - Proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to finance new capital expenditure, repay debt or fund transformational change that lead to future revenue savings.

Cash Equivalent – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

Code of Practice on Local Authority Accounting – The statutory accounting code published by CIPFA.

Collection Fund - A statutory fund in which a Council records transactions for Council Tax and business rates.

Community Assets - Assets that the local Council intends to hold in perpetuity. A useful life is not calculated for these assets. They are likely to have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income and Expenditure Statement or CIES - Reports the income and expenditure for all the Council's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

Contingent rent (under a lease) – Additional rent that is not fixed in the lease terms.

Creditor - An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period but for which payment has not been made.

Current Asset - An asset which can be expected to be consumed or realised during the next accounting period.

Current Liability - An amount which will become payable or could be called in within the next accounting period.

Debt Redemption - The repayment of loans that were raised to finance capital expenditure.

Debtor - An amount owed to the Council within the accounting period, but not received at the Balance Sheet date.

Dedicated Schools Grant (DSG) – Grant received from Education Funding Agency to fund schools related expenditure.

Deemed Capital Investment (of a finance lease) - A calculation of the capital cost of an asset purchased by a finance lease. A minimum revenue provision must be made to redeem the cost.

Deferred Capital Receipts Reserve - Holds the gains recognised on the disposal of non-current assets for which cash settlement has not been made.

Defined Benefit (pension scheme) – A pension scheme where benefits are determined by years of service and salary earned.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term asset. This arises from use, time or obsolescence through technological or other changes.

Derecognition – The removal of an asset or liability from the balance sheet.

Direct Revenue Financing (DRF) - A contribution to the financing of capital expenditure by a charge to the Comprehensive Income and Expenditure Statement. This can be used to supplement the Council's other capital resources.

Effective Interest Rate (EIR) – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

Fair Value – Fair value is used for setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financing Charges - Annual charges to the Comprehensive Income and Expenditure Statement to cover interest and principal of loans raised for capital expenditure.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. In a finance lease the present value of the minimum lease payments plus any initial payment is substantially the fair value of the leased asset.

Financial Asset – A right to future economic benefits controlled by the Council. Examples include bank deposits, investments made and loans receivable by the Council.

Financial Instrument – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

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

General Fund - The main fund of the Council that meets the cost of most services provided by the Council. The services are paid for from Council Tax, business rates, government grant and other income.

Government Grants and Subsidies - Grants towards either the revenue or capital cost of Council services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally such as Revenue Support Grant.

Heritage Assets – A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost – The nominal or original cost.

IAS 19 - This is an International Accounting Standard now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in the financial accounts. It is based on the principle of recognising pension costs in the financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

Impairment – Impairment arises 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.

Infrastructure Assets - Carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

Investment Properties – Properties that are used solely to earn rentals or for capital appreciation.

Lessee – The holder or tenant of a lease.

Lessor – The person allowing occupation or use of property by a lease.

Loan Notes – A form of vendor finance or deferred payment, in which the purchaser acts as a borrower, agreeing to make payments to the holder of the transferable loan note at a specified future date.

Loans Outstanding - The total amounts borrowed from external lenders for capital and temporary revenue purposes and not repaid at the Balance Sheet date.

Minimum Lease Payments – Those lease payments that the Council is or can be required to make.

Minimum Revenue Provision (MRP) - This is the minimum amount that must be charged to the Council's Comprehensive Income and Expenditure Statement. It must be set aside to repay debt. MRP is charged in line with the life of the asset for which borrowing was undertaken.

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Non-current asset - An asset which has value beyond one financial year.

Non-distributed costs – Discretionary retirement benefits and impairment losses on assets held for sale.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

NDR Levy Payment – The Council pays a 6% levy to the government of its share of business rates income that exceeds settlement assumptions.

NDR Tariff Payment – at the outset of the business rates retention scheme the Council was calculated as having a higher business rate baseline compared to its baseline funding level, leading to a tariff payment.

Operating Leases - Leases under which the ownership of the asset remains with the lessor.

Precept - The amount a local authority that cannot levy a council tax directly on the public requires it to be collected on its behalf. The Council collects precepts on behalf of Cambridgeshire Police and Crime Commissioner, Cambridgeshire and Peterborough Fire and Authority and 25 Parish Councils.

Projected Unit Method - A method for calculating pension costs which takes full account of future salary increases. It is the method prescribed in relevant Accounting Standards.

Provisions - Required for any liabilities of uncertain timing or amount that have been incurred. Provisions are set aside in the accounts and charged to individual services. When the relevant expenditure occurs, it is charged direct to the Provision.

Prudential borrowing – Borrowing for capital purposes in accordance with the Prudential Code on affordability.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas or expected future commitments.

Revaluation Reserve – This account was created on 1 April 2007 and its balance represents the revaluation gains accumulated since 1 April 2007.

Revenue Expenditure - The day-to-day running costs the Council incurs in providing services (as opposed to capital expenditure).

Revenue Support Grant (RSG) - A general grant to help finance local government revenue expenditure paid by the government. RSG is recognised in the General Fund.

Service cost (for pension liabilities) – part of the change in pension liabilities over the year.

Short term employment benefits – A benefit that will be settled within 12 months of the year-end. The benefits include salaries, sick leave and annual holiday entitlement.

Usable Reserves – Those reserves that can be applied by the Council to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Table of Acronyms

BCF	Better Care Fund
BSP	Blue Sky Peterborough
CAA	Capital Adjustment Account
CCC	Cambridgeshire County Council
CIES	Comprehensive Income and Expenditure Statement
CIC	Community Interest Company
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPCA	Cambridgeshire and Peterborough Combined Authority
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust
CRC	Carbon Reduction Commitment Energy Efficiency Scheme
DfE	Department for Education
DSG	Dedicated Schools Grant
DMO	Debt Management Office
EFA	Expenditure and Funding Analysis
EFS	Exceptional Financial Support
EIR	Effective Interest Rate
IAS	International Accounting Standard
LEP	Local Enterprise Partnership
LGA	Local Government Association
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MHCLG	Ministry of Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MTFS	Medium Term Financial Strategy
NDR	Non-domestic Rate
PFI	Private Finance Initiative
PIP	Peterborough Investment Partnership
PPE	Plant Property and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statue
RIT	Rapid Implementation Team
RR	Revaluation Reserve

Index of Notes to the Core Financial Statements

Annual Governance Statement – 2020/21

Annual Governance Statement

Scope of Responsibility

Peterborough City Council (the 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 provides value for money. 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Corporate Director of Resources):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Management Team

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2021 / 2022 to address these issues will be reported regularly to the Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the 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. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

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

The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2021-2025 was endorsed by Cabinet in March 2021 for consultation. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government (2016) as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first three years of operation, it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns. The Policy is updated at the Constitution and Ethics Committee.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved.
- Confidential concerns can be raised through the Council's Whistleblowing Policy with a number of officers identified as first points of contact.
- A Counter Fraud Strategy has been established to deliver raised awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this and refreshed annually.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which show the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers' proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer Relationships, governed by the Member Officer Protocol in the council's constitution, are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.

- The Corporate Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work in line with the Public Sector Internal Audit Standards. In 2018 / 2019 the service was externally reviewed and demonstrated full compliance with these standards
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.
- As part of respecting the law, the Council was inspected by the Investigatory Powers Commissioner's Office in February 2021. Positive feedback was from the inspection setting out how the Council complied with Codes of Practice. Minor amendments are required to our Policy, and this was reported to Audit Committee in March 2021.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives. An updated draft Corporate Strategy was published in March 2021 for consultation.
- Council meetings are open subject to Coronavirus Act (2020) regulations to every citizen, are sound recorded and made available online, for example on Facebook.
- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. The council has adapted its approach by assessing which decisions could be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Virtual meetings were instigated to ensure transparency and good governance prevailed and allowed access to the public and press.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, works in relation to the Business Improvement District.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- The Council works in partnership with Cambridgeshire County Council and a number of services are shared.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.

- Budget considerations of the final budget took place at Full Council on 3 March 2021. The Council Tax increase for the year was 4.99%, the maximum allowed by regulations (1.99% General Increase and 3.00% Adult Social Care). Phase 1 was considered by Cabinet on 30 November 2020.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action across all Directorates. Supplementary registers were established during the year to cover for Covid-19 risks, and these have been incorporated into each department.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough. Subsequent to the draft Annual Governance Statement submitted to Audit Committee in July 2021, with ongoing concerns in relation to the overall financial resilience of the Council following the initial development of the MTFS, subsident financial and governance reviews were commissioned with external bodies – Department for Levelling Up Housing and Communities (formerly Ministry for Housing Communities and Local Government (MHCLG) and CIPFA. This has led to a fundamental refresh of our approach for future years which should lead to financial stability.
- In July 2019, the Council agreed there was a Climate Emergency and reports now have to contain, where relevant, a carbon Impact Assessment. An annual Climate Action Day has been set up, the second took place on 4 March 2021.
- Significant changes to services are supported by an Equality Impact Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets, the Council has set a budget for the year 2021 / 2022 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council. Separate financial support has been provided by MHCLG following ongoing dialogue throughout 2020 and 2021.
- All meetings and key decisions are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council, in order to discharge its functions on Health, operated a dedicated Health Scrutiny Committee in 2020/21. This as combined with Adults from 2021/22.

- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.
- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held at all levels. As part of these meetings performance is discussed. The performance review process has been reviewed and new "Conservations" established. This is due to go live in 2021.
- A Leadership Programme is under construction for all managers and is due to deliver appropriate training and raise awareness across the Council of its processes, policies and services. Deferred due to the ongoing pandemic, it is due to go live in summer 2021.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee. The Committee has the opportunity to call officers to account for weaknesses identified and how actions are being mitigated to address these weaknesses.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- The Cabinet Shareholder Committee provides oversight and scrutiny of entities the Council has an interest in, for example Peterborough Ltd.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery. Key officers involved in joint working are required to complete s113 agreements.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

Principle F: Managing risks and performance through robust internal control and strong public management

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.

- New Members are inducted prior to the Annual Meeting. Separate training is provided for specific Committee needs.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to External Audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.
- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities' interests.

Review of Effectiveness

The 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 Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and by comments made by the external auditors and other review agencies and inspectorates. During 2020 / 2021, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk registers, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed by Audit Committee. In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control, namely:

- Improving governance for the delivery of major projects, including making greater use of POWA;
- Put robust processes in place for succession planning;

- Improving on the levels of performance reporting across the Council; and
- Regular testing of disaster recovery plans and learning lessons from those.

As a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure incorporating a Gold decision-making structure and Coordination Hub. The Gold decision making structure initially was meeting daily, which then moved to bi-weekly meetings as the Council moved further into the pandemic period;
- Movement of staff and resources to cover new pandemic delivery priorities;
- Arrangements to track the financial implications of the pandemic on the Councils resources; and
- Arrangements for the democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.

The Council already had in place enhanced control processes that were implemented in 2019/20. These were adapted to the requirements of Covid-19 including reallocating Internal Audit resource from the initial Audit Plan to the review of processes and procedures put in place due to the pandemic. Processes described above ensured that the Council could properly report on the effect of Covid-19 for Peterborough and ensure that the Council maximised Grants both for itself and businesses during this period.

An External Audit of the accounts year ended 31 March 2020 undertaken by Ernst and Young was reported to the Audit Committee during the year. Issues identified during the review of the accounts, the impact of the pandemic and financial stability of the Council resulted in additional testing to be undertaken. Updates have been provided to senior managers as this has progressed and the Accounts were formally signed off by Audit Committee on 21st June 2021.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. (*Tables below set out the governance issues which were previously reported and the progress in addressing them. A number of previous actions have been deleted and referred to Audit Committee in July 2021 for discussion and subsequent agreement*).

2018/2019	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
19.05	**BUSINESS CONTINUITY** Lead: Corporate Director of Resources	To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis. Proposal: Review all departmental Business Continuity delivery plans in Q1 and Q4 of 2019/20 to ensure the points raised in 18.6 above has been delivered. Conduct a yearly full business continuity test during 2019/20.	Council officers have been successfully working remotely since March 2020 due to Covid-19. This has actively been used to coordinate responses in relation to Covid-19. Regular reviews are undertaken to ensure that remains valid. **REMAINS VALID – LINK WITH DISASTER RECOVERY** There has been no disaster recovery testing in the last 12 months, and this increases the residual risks against the Council. It will be activated in 2021.

2019/2020	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
20.01	**BALANCED BUDGET** Lead: Corporate Director of Resources	The Council has set a balanced budget for 2020/21. This is based on a number of transformation projects being delivered. This includes HR business model; Improved financial control; Finance Business Partner model; Increase in automation; Increase in shared services; and Reduction in staffing levels Proposal While the various projects are managed there is the risk that if not implemented on time that savings will not be achieved. In the worst case scenario this could lead to the need to issue an s114 letter. • Conduct a set of reviews during spring 2020 in order for the Council to come as close as possible in the July 2020 Council meeting to approving and implementing the 2021/22 budget as per the Robustness Statement in the 2020/21 MTFS. • Put in place monthly monitoring process that ensures that all 2020/21 and future years savings proposals are ragged against delivery and ensure these are reported to Joint Management Team and then Cabinet. • Set out mitigation steps where delivery cannot be met.	Reviews took place in January to March 2020 which identified possible savings options of £12m of the total £14m 2021/22 deficit. These were then impaired down to £3m due to Covid-19. Significant budget gap identified for future years £21/22 onwards due to the nature of Covid-19 and the Councils underlying financial position. Regular communications were held with MHCLG (now DLUHC) in relation to the budget. An independent review was undertaken which confirmed the extent of the funding required to enable to balance the budget. Auditors have commented on the transparency of the Council's position. This was acknowledged and appropriate funding was granted to close the gap. Nevertheless, future year budget gaps remain, and these will need to be assessed and actions to addressed put in place. The DLUHC Financial and Governance review is scheduled for July 2021 to validate overall financial support and a path to sustainability in future years. The increasing need for and cost of demand led services such as social care, temporary accommodation and no recourse to public funds creates significant pressures on budgets. These pressures are anticipated to continue for 2021-22 and beyond and will continue to need close monitoring and robust management action.

2018/2019	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
		• Link overall Council Viability to item 20.02 and 20.03. The "Going Concern" Note 44 sets out the Council's position at November 2020 and the "material uncertainty" on maintaining current service levels that the External Auditors highlight as a significant risk due to the Council's existing financial position and the financial effects of Covid-19.	The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2021-22 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. However, there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning. The result of the DLUHC review has identified a revised approach and this has been acted upon to set budgets for 2022/23 to move towards sustainability. Effective monitoring will continue through Officers, Members and the Improvement Panel. Their adoption was endorsed with the 2022/23 submitted to Cabinet and Full Council in 2022.
20.02	**Covid-19** Lead: Corporate Director of Resources	Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Peterborough and the surround as part of its reaction to tackle Covid-19. Linked to 20.01 above, there is a risk that costs incurred outweigh the levels of funds received from Central Government. Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council / users etc. Proposal • Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual • Ensure processes are in place to estimate, document and then report on Covid-19 expenditure items. • Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements	The council has adhered and responded at pace to government guidance in response to the pandemic. Priorities changed to focus on the need to distribute emergency funding to vulnerable residents and businesses and to support essential services. BAU changed to accommodate this, but key processes and functions have been maintained. An ongoing assessment of the impact of the coronavirus pandemic on council services and council systems continued throughout the year in line with good financial governance. This was reported to MHCLG monthly. The 2021/22 MTFS reflects the impact of the pandemic. The council will look to ensure that the additional spending and loss of income (particularly from council tax and business rates) are fully recovered from central government. The council has maintained a log of all spending commitments and income losses relating to the pandemic to enable full accountability. Financial stress on major service contracts such as leisure and construction, a fall in commercial property income and a delay to capital programme works has been assessed in the medium and longer term. One impact has resulted in the leisure contract returning to the Council.

2018/2019	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
		• Set up formal reporting structures to Joint Management Team, Cabinet Government and the LGA to set out the Council position. • Set up a lobbying strategy to ensure best results for the Council • Have a robust recovery plan to ensure that moves back to "normality" have been properly evaluated to minimise cost/lake advantage of changes to service delivery to deliver a revised product to the public	Ongoing discussions have been held with MHCLG which has seen additional funds provided in order to balance the budget. See 20.01 for links to DLUHC Reviews.
20.03	**COUNCIL STRUCTURE** Lead: Joint Management Team	Linked to 20.01 and 20.02 the current situation has identified that the Council can operate (albeit is it effective) outside of its main hub. There is a need to review the current arrangements to ensure that they meet future needs / pressures. <u>Proposal</u> • Review all services presently halted for critical assessment of if they continue in the future – Opportunity. • Evaluate with Government potential length of the COVIF-19 emergency and what "business as usual" will mean at the other end • Have in place recovery and re-implementation strategies for key services .	The Council has worked in an agile nature for the whole of 2020/21 and will continue to do so until Government advice changes. Team Charters have been updated to reflect expected working patterns post Covid-19. Recovery Board discusses new way of working cross Council for escalation to JMT and Members for approval. MTFS includes assumptions of how the Council will work in the future, including estimates of ongoing demand for services. Also see commentary in 20.01 / 20.02.
20.04	**LEVELS OF DEBT** Lead: Corporate Director of Resources	Given the Country is now heading into a possible recession, and the fact that the Council is very reliant on external income, how will it ensure debt levels do not spiral out of control <u>Proposal</u> • Ensure that key debtors are communicated with regularly (at least monthly)	Debts continue to be monitored and a report has been taken to Audit Committee for approval of write offs over £10,000. All paths to recover of these debts have been exhausted. Negotiations have been underway, due to be completed by the end of June 2021, with the CCG on the treatment of existing debt and approval pathways for ongoing debt.

2018/2019	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
		• Ensure enhanced debt monitoring is in place for Covid-19 recovery period	Internal Audit have been commissioned in May 2021 to investigate the debt recovery process. This will be reported on in June 2021 and will also form part of the evidence for the MHCLG / Peer reviews covering the financial resilience of the Council. Note, that there is a new Government initiative in 2021/22 that allows debtors more time to pay outstanding sums which will need to be administered. As per the 2020/21 outturn report, outstanding sundry debt is £5m less than the 2019/20 position.
20.05	**LOSS OF KEY STAFF** Lead: All Directors	Covid-19 will be a severe test on Council resources. The Council needs to ensure it retains key staff Proposal • Ensure that processes are fully documented • Ensure that appropriate succession planning arrangements have been identified • Identify activities which are overly reliant on one individual	Succession planning identified as an issue from Directors Self Assessments – no evidence that this has been progressed across organisation. Noted that during Covid-19, more staff transferred from Agency to permanent positions due to safety of tenure. Risk remains, especially post Covid-19 where staff have realised that in many jobs they can work from anywhere. (To remain as an issue to be addressed)
20.06	**COUNCIL CONTROLS 2019/20** Lead: Chief Internal Auditor	There were three Internal Audits of Limited Assurance in 2019/20 which required rectification plans: • The Procurement Card System • Energy Management • Transition of Amey contract to Peterborough Limited There we no Internal Audits rated as "No Assurance" Proposal: Ensure recommendations are implemented. Ensure assurance levels of these Audits move to at least Reasonable Assurance	Improvements have been established for 3 of the audits identified. The Procurement Card system remains as Limited Assurance. A further follow up will be undertaken.

The following governance issues have been identified in the year to be addressed:

2020/2021	Area of Assurance	Gap	Proposal
21.01	**SOCIAL CARE INTEGRATION** Leads: • Corporate Director People and Communities • Corporate Director Resources	Health partners are looking to establish an integrated care solution system arrangements with the Council. This will require appropriate strategies and planning by all parties, especially the management of ring-fenced resources, the political dynamic for budget setting and spend.	Ensure Coverage at all critical meetings Ensure Council Governance processes understood and adhered to by Health Partners Ensure periodic updates to JMT and Cabinet so sighted on progress and potential risks, liabilities, and opportunities.
21.02	**ONGOING BUDGET POSITION** Leads: • Corporate Director Resources • All Corporate Directors	In its 2019/20 Audit Results Report signed off by Audit Committee on the 21st June the Councils External Auditors have given the council a **Qualified Opinion** for its Value for Money opinion, based on its financial position. The financial position and work being done with DLUHC is set out in 20.01 but this magnifies the significance of those conversations.	Ensure that DLUHC and LGA reviews are completed. This covers both financial resilience, service review and governance. Address quickly the recommendations of the reviews, once received, as this will impact future funding for the Council.
21.03	**INFORMATION GOVERNANCE** Leads: • Director of Customer & Digital Services • Director of Law & Governance and Monitoring Officer	The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management. The continuing need to improve services and enhance customer access to those services means that integration, optimisation, and security of the use of data held and managed by council departments continues to be of paramount importance.	Monthly updates to JMT on these issues and how treats are being mitigated
21.04	**CLIMATE CHANGE** Lead: Executive Director, Place & Economy • All Directors	The implementation of the council's climate change strategy, to allow the council to adapt to the impact of climate change.	Clearly costed and agreed medium long-term plans, for implementation of the strategy as we move over the next 5 years up to 2026.

21.05	**PROJECT MANAGEMENT** Lead: - Director of Customer & Digitals - All Director	The Council is making use of project management software to provide an effective solution to consistent practice being followed for key delivery. There is mixed take up across the organisation and increases the risk of project failure.	Clear project plan for moving project monitoring in all services onto POWA
21.06	**LOAN FINANCING (EMPOWER)** Lead: - Corporate Director Resources	The external Auditors in their 2019/20 Audit Results Report have a recommendation that the Council: Reviews any similar finance arrangements (the Empower Arrangement) to ensure that there is not a risk of exposure to further financial loss. Reviews the appropriateness of its Minimum Revenue Provision policy for capital loans in light of these events. Should it decide to bring the solar panel assets and asset management arrangements in-house, obtains an up-to-date valuation of the assets as soon as practicable in order that the Authority can determine whether there are any additional indicators of impairment and the basis on which the solar panel assets are recognised for financial reporting and asset management purposes.	That the Council undertake this review and report on progress (as the valuations might take more time) to the next available Audit Committee.
21.07	**PERFORMANCE REPORTING** Leads: - Director of Business Improvement and Development - All Corporate Directors	Directors' self-assessment questioned whether this was as developed as well as could be expected. Need to have a way of regularly reporting on performance (not just financial which has been fully reviewed and working well)	Define what departments regard as their key performance information Set out a reporting framework so that this information is reported alongside other information like financial information to key stakeholders.
21.08	**BUSINESS RATES DEBT LEVELS** Lead: - Corporate Director Resources	This includes Business Rates and Council Tax Collection, which due to Covid-19 were below previous years collection levels. Business Rates were £11.5m lower than expectation in 2020/21 due to the Council not starting formal chasing of outstand debt until Quarter 4.	Ensure that for Business Rates, ongoing weekly reviews are undertaken to ensure the £11.5m 2020/21 deficit is recovered and that 2021/22 collection rates are closely monitored.

21.09	**COUNCIL CONTROLS 2020/21** Lead: Chief Internal Auditor	There were three Internal Audits of Limited Assurance in 2020/21 which required rectification plans: • Procurement Cards • Teacher Pensions (Premature Retirement Payments) • IT Asset Management There we no Internal Audits rated as “No Assurance”	Ensure recommendations are implemented. Ensure assurance levels of these Audits move to at least Reasonable Assurance

Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders. These have been adapted during the Covid-19 Pandemic. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council’s review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continually throughout the year.

Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council’s governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:	Signed:
Matthew Gladstone, Chief Executive	Councillor Wayne Fitzgerald, Leader of the Council
Date:	Date:

Update- July 2023

At the time of production of this Annual Governance Statement for the 2020 / 2021 accounts, a number of reservations were in place with regard to the financial sustainability of the Council. Intervention was suggested - but not taken up. Ongoing reviews by external organisations, oversight by an Independent Improvement Panel against the backdrop of a self-generated Action/Improvement Plan has seen the Councils finances improvement. A new direction and delivery model is also in place and the Council has been able to produce balanced budgets as well as come in under budget.

Changes from Draft Accounts to Final Accounts- 2020/21

Committee Date: 24 July 2023

Author: Jill Evans, Service Director, Corporate Finance

To : Peterborough City Council Audit Committee

Introduction

The Peterborough City Council accounts for 2021/22 are presented as a final draft, subject to confirmation by EY. The main changes from the draft accounts presented to Audit Committee in 2022 to the final accounts presented now, are both additions to the narrative statements and numerical changes.

Narrative

The narrative changes are:

1. Updates to the Narrative statement (p.1), Going Concern (p.81) and Annual Governance Statements (p.124). These updates are labelled 'July 2023 Update' at the end of each item and reflect the improved financial sustainability of Peterborough City Council in July 2023, compared to when the draft accounts were presented and help the reader to understand the current financial picture.
2. Additional disclosures to the Highways Infrastructure in the Accounting Policies (p.97). This additional item reflects the updated accounting requirements around infrastructure assets since the draft accounts were published.

Financial

In summary, the financial changes are:

Changes	**Amount £k**	**Reason**
Empower loan movement	20,400	Moved from long term debtors to short term debtors
London Rd Properties deferred capital receipts	932	Moved from short term debtors to long term debtors
CCG receipt in advance to debtors	4,236	Removed the receipt in advance
Valuation changes	Net Effects: -Place & Economy income 2,358 -Resources expenditure 214 increase -Financing and investment income increase 376 -B/S PPE increase 2,134 -Increase investment property 367 -Unusable reserves 2,503 increase	Main changes are: -Energy for waste -Millennium centre -Schools -Community centre -Car parks -Orton Bushfields -Wirrina -Werrington dual use external (playing field)

Disposals	21,495	Schools moved to Academies- Phoenix special school, Hampton primary, school field. Future business centre. Fleet community and day centre.
Pensions	7,293	IAS19 actuary adjustment
HE Company Disposal	1,870 530	Received shares for land sale Unusable reserves adjustment
Land investment	36	Reduction in Property, Plant and Equipment
CRA Land	- 1,306	Revaluations, add into PPE and reserves
DfE Grant	1,611	Moved from grant income to short term creditors
DSG	3,263	Moved from short-term creditors and into earmarked reserves
Child placement	1,100	Moved from short-term debtors into short term creditors
62-82 Bridge St	1,274	Loss in value when moved from investment to land and buildings (PPE)

Summary

Additional detail about these will be provided at the Audit Committee meeting.

LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit.*[1] In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.

2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,[2] in order to provide the vital accountability and assurance needed for local people and their elected representatives.

3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.

5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

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[1] Local authority financial reporting and external audit: independent review - GOV.UK (www.gov.uk)

[2] Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

Commitments by system partners

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.

10. Alongside this **DLUHC** is considering whether legislative change is needed to:

    a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

  b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.

11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.

12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits[3] (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.

13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.

14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.

15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.

16. The **Institute of Chartered Accountants in England and Wales** (**ICAEW**) is responsible for the inspection and regulation of non-Major Local Audits.[4] The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.

17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

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[3] An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

[4] ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.

19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.

20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.

21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

LONGER TERM CHANGE

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.

23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.

26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.

27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.

28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC[5] board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.

29. In light of these issues, the **Comptroller & Auditor General** (C&AG) is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.

30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

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[5] Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.

33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.

34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FReM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.

35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

36. **The Financial Reporting Council** (FRC) has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.

37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.

38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

Conclusion

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023

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Department for Levelling Up, Housing & Communities

Lee Rowley MP

Parliamentary Under-Secretary of State for Local Government and Building Safety

Department for Levelling Up, Housing and Communities

Fry Building
2 Marsham Street
London
SW1P 4DF

To: Local Authority Chief Executives, Local Authority Leaders and
Chief Financial Officers in England, and
Local Audit Firm Partners

18 July 2023

Dear Chief Executive / Chief Financial Officer / Local Authority Leaders / Local Audit Firm Partners,

This letter comprises an update on work since the Spring that DLUHC officials, along with Financial Reporting Council (FRC) colleagues, have undertaken to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges which the sector has faced in recent years. At the time of writing, only 27% of local audits have been completed for the financial year 2021-22. The combined total of outstanding local audits dating back to 2015-16 is now totalling nearly 520.

The attached paper derives from the recent work and outlines a proposed approach to resolving these issues, which has been agreed in principle with key partners across the local audit system. As Leaders of Local Authorities, Chief Executive Officers and Chief Financial Officers, you and your finance teams, alongside your auditors and Key Audit Partners, are critical to delivering high-quality financial reporting and audit in the public interest. As the paper suggests, decisive and concerted action is required to deal with the challenges in the local audit system. I would very much welcome your support in these endeavours and DLUHC officials will continue to engage with you as these proposals are further developed.

In summary, we are proposing that the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

It will be the case that these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, there is broad consensus across the system that without any action being taken, delays will continue for a number of years, and in that scenario, when the delayed audits are reported they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

The Comptroller & Auditor General (C&AG) is therefore considering changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation. The C&AG will of course keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

To support this broader work, it is important that the accounting framework set through the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting carefully balances the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. CIPFA is therefore exploring changes to the Code for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for local authority non-investment assets and pension valuations for a local authority context.

CIPFA has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

In terms of ongoing regulatory requirements, the FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC's inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.

The Levelling Up, Housing and Community Committee is conducting an inquiry into Local Financial Reporting and Audit. I gave evidence to the Committee on 17 July and I have shared a copy of the enclosed cross-system statement with the Committee Chair.

The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. We look forward to discussing this further with you in the coming weeks and will ensure that there are arrangements in place to engage all parts of the local audit sector, including the range of local bodies. Subject to the conclusion of the appropriate details, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Yours sincerely,

Lee

LEE ROWLEY MP

Parliamentary Under-Secretary of State for

Local Government and Building Safety

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