

NOTICE OF MEETING

MEETING	CABINET
DATE:	MONDAY 6 JULY 2009
TIME:	10.00 am
VENUE:	BOURGES/VIERSEN ROOM - TOWN HALL
CONTACT:	Lindsay Tomlinson, Senior Governance Officer Telephone: 01733 452238 e-mail address lindsay.tomlinson@peterborough.gov.uk
<i>Despatch date:</i>	<i>26 June 2009</i>

AGENDA

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Cabinet Members
Cabinet Advisers
Area Committee Chairmen
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Press

*Any agenda item highlighted in bold and marked with an * is a 'key decision' involving the Council making expenditure or savings of over £500,000 or having a significant effect on two or more wards in Peterborough. These items have been advertised previously on the Council's Forward Plan (except where the issue is urgent in accordance with Section 15 of the Council's Access to Information rules).*



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MINUTES OF CABINET MEETING HELD 30 MARCH 2009

PRESENT

Councillor Peach - Leader of the Council, Councillor Collins, Councillor M Dalton, Councillor Fitzgerald, Councillor Goldspink, Councillor Lamb, Councillor Lee, Councillor Murphy, Councillor Sanders and Councillor Scott.

1. APOLOGIES FOR ABSENCE

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations.

3. MINUTES

The minutes of the meeting held 2 February 2009 were agreed as an accurate record and signed by the Leader.

4. CABINET MEMBER UPDATES

Cabinet Members provided the following updates relating to activities within their individual portfolios:

- Ofsted had recognised more schools performing at a good or outstanding level.
- The Phoenix School had been rated outstanding in every category in which it was judged.
- Tough new guidelines to ensure all houses in multiple occupation (HMO) were maintained to an acceptable standard were being pioneered by the Council.
- The council's Customer Service Centre was the first council-run centre in the eastern region to be able to display the government's Customer Service Excellence hallmark.
- Peterborough Crematorium was in the running for a prestigious Green Flag award, and if successful it would be the third site in Peterborough to secure Green Flag status.
- A team of city council staff who had given up their own time to raise money for the Papworth Trust charity by organising a talent contest had won The Grand Challenge Award for their efforts. Members of the team were present and received their award from Councillor Lamb.
- The number of people killed or seriously injured on Peterborough roads had reached a record low in 2008.
- A faster broadband service, which would allow children to learn more online was being introduced in all of Peterborough City Council's schools.

- Staff from the city council's strategic resources department had been sharing their expertise with Thurrock Council in a recent visit to Peterborough. The transformation of the city council's finance service had already been recognised by auditors from Price Waterhouse Coopers and nationally by the Audit Commission.

5. ITEMS FROM SCRUTINY PANELS

5.1 Peterborough's Children and Young People Plan 2009

Cabinet received a report on the Peterborough Children and Young People Plan (CYPP). The first Plan had been published in April 2006 and, in line with statutory requirements, had been reviewed annually with revised plans published in 2007 and 2008.

The CYPP had been reviewed through the Children's Trust, for whom the CYPP was their primary strategic document, setting out their vision and priorities for children and young people in the city. Legislation was being tabled in Parliament to switch the statutory ownership of the plan from the local authority to the statutory Children's Trust Partnership Board. A new style CYPP would be required from 2011 to reflect these changes and, as such, the Children's Trust Partnership Board had agreed to a light-touch review for 2009 ahead of the revised arrangements expected in 2010/11.

Members sought assurance that, in the light of recent high profile child protection cases the council was doing all it could to review its processes to ensure the safety of children who may be in danger of neglect. The Executive Director, Children's Services informed Cabinet that his department had responded to published guidelines and was constantly checking the quality of its child protection plans. A separate report on safeguarding issues would be brought to a future Cabinet meeting.

CABINET RESOLVED TO:

Endorse the Peterborough Children and Young People Plan and to recommend that Full Council give it consideration at its meeting on 8 April 2009.

REASONS

To ensure that Cabinet had an opportunity to consider the reviewed Children and Young People Plan and make recommendations to Full Council.

ALTERNATIVE OPTIONS

The preparation and annual review of a Children and Young People Plan was a statutory duty.

5.2 Safer Peterborough Partnership Plan

A report on the Safer Peterborough Partnership Plan was submitted to Cabinet following consideration by the Safer Peterborough Partnership and the Community Development Scrutiny Panel. It was a statutory responsibility that the Partnership adopt a Partnership Plan which was updated on an annual basis.

The priorities within the Partnership Plan had been agreed following a Strategic Assessment which considered the performance in the previous twelve months and took into account the concerns of the public.

The priorities set out in the Plan were:

- *Serious acquisitive crime*
- *Anti social behaviour*
- *Domestic abuse*
- *Violent crime*

- *Sexual offences*
- *Road safety*

The Safer Peterborough Partnership Plan covered all the priorities of the Partnership for the coming three years. Indicators, both national and local, had been selected to reflect effectively the improvement that was planned. Some of these indicators had also been included with the Local Area Agreement.

Members raised comments about the possible rise of petty crime as a result of the current economic situation and about how domestic abuse was being tackled. There was also some concern at the reduction in the number of police officers and PCSOs and some members felt that this could compromise the delivery of the priorities of the Plan. However the point was made that the partnership pulled together limited resources from within the partnership and that performance could only be measured through the pooled resources of the partnership.

Cabinet asked that the Plan be amended to include more reference to substance misuse and also requested that the list of vulnerable neighbourhoods be put into alphabetical order. Subject to these amendments,

CABINET RESOLVED TO:

Approve the Safer Peterborough Partnership Plan for submission to Full Council.

REASONS

A Partnership Plan was a statutory requirement of the local Crime and Disorder Reduction Partnership. The Plan had undergone extensive consultation and had been agreed by the Safer Peterborough Partnership.

ALTERNATIVE OPTIONS

Publishing a Plan was a statutory requirement and continuing with the plan approved in the previous year was not an option.

6. STRATEGIC DECISIONS

6.1 Approval of the 2009/2012 Opportunity Peterborough Draft Business Plan

Cabinet received the Opportunity Peterborough draft business plan for endorsement. As a major funder, supporter and member of the Board of Opportunity Peterborough, it was important that the Council was satisfied that the draft Business Plan would deliver the objectives agreed and use the funding provided in an effective way.

It was stated that the declining economic situation associated with a lack of developer participation and significant reductions in public funding would not help in maintaining the momentum of delivery and growth; however there were alternative methods of delivery through the use of special purpose vehicles and direct engagement with private financiers, such as pension and investment funds, which were being actively explored to overcome this situation.

Accordingly the plan had looked closely at the key strategic priorities needed to drive forward the growth agenda and those which could be realistically delivered given the likely availability of resources whilst retaining the long term vision for the city of delivering 25,000 new homes and 20,000 new jobs by 2021.

Opportunity Peterborough's purpose was to facilitate the successful regeneration of Peterborough through enabling sustainable growth. To achieve this OP would focus on 3 key objectives:

- To create a vibrant and attractive city centre at the heart of a bigger and better Peterborough
- The sustainable and integrated growth of Peterborough including the infrastructure to deliver this
- A vibrant and diverse business community, supported by an improved skills and knowledge base, fit for the global economy

Opportunity Peterborough had worked with senior officers and members within Peterborough City Council to develop a close partnership to deliver the growth agenda within the city and in particular a "Strategic Growth Framework" which provided a structured and focussed approach to the delivery of the growth agenda.

The Cabinet member for Housing, Regeneration and Economic Development addressed Cabinet and said that he was reassured by the Council's Growth programme under the Deputy Chief Executive and his team, and that he had an ever increasing confidence in the Council's approach to growth. He was keen to ensure that Opportunity Peterborough fulfilled the role the Council wanted it to and which was supported by the East of England Development Agency and Homes and Communities Agency; that is to deliver on key strategic projects in the way the council was committed to and which it was required to if it was to meet its obligations under the Regional Economic Strategy, the Regional Spatial Strategy and Local Area Agreement targets. This would obviously mean a shift in focus from that in the Opportunity Peterborough business plan and the way in which the resources that Opportunity Peterborough managed on the Council's behalf were used. He therefore looked to the Chief Executive of Opportunity Peterborough for assurances that they would be working with the council to deliver, with the emphasis very firmly on actual delivery on the ground.

Therefore, subject to the Opportunity Peterborough business plan being kept closely under regular review and subject to Opportunity Peterborough working more closely with the Council to facilitate and implement the Council's vision for the city,

CABINET RESOLVED TO:

1. Endorse the 2009-12 draft Business Plan of Opportunity Peterborough
2. Note that agreement of funding of specific projects from that plan, if required, will be subject to the Council's normal decision-making process

REASONS

It was required that the City Council and the other two founding partners consider and agree to the draft Business Plan. Inevitably, the specific schemes for implementation would evolve during the course of the 3 year plan period and it was therefore appropriate that funding of these was approved by the Council through its normal decision-making processes.

ALTERNATIVE OPTIONS

- (a) Suggest modifications to the Plan - the draft Business Plan had been the subject of discussions and modifications by the Partners.
- (b) Not approve the draft Business Plan - this would have limited the operation of the Urban Regeneration Company.

6.2 East of England Regional Spatial Strategy Review: Call for Section 4(4) Advice and 5(5) Advice

Cabinet had been asked to approve the City Council's advice to the East of England Regional Assembly on the forthcoming review of the Regional Spatial Strategy, and in compliance with sections 4(4) and 5(5) of the Planning and Compulsory Purchase Act 2004.

The review had been initiated by the East of England Regional Assembly (EERA), who were required by section 4 of the Planning and Compulsory Purchase Act 2004 to seek advice from strategic planning authorities (including Peterborough City Council) at the outset. The main requirement of the call for advice was to test a range of housing growth scenarios as required by Government, and to test the employment range provided through EERA and East of England Development Agency (EEDA). Section 4(4) authorities were required to assess the implications of achieving the growth implied by four scenarios.

Peterborough had continued to aspire to grow to address housing need and affordability and to realise the potential of its strategic location. It was clear that the economic downturn was leading to a decline in housing delivery rates both regionally and nationally. There was uncertainty regarding the duration of the economic downturn and the implications on Peterborough, but it was understood that there would be a decline in local delivery rates in the short to medium term.

Peterborough therefore proposed a scenario of approximately 30,000 dwellings 2007-2031. This allowed for an initial decline in house building targets for approximately four years, followed by a gradual increase. As policy intervention and strategic mechanisms became effective, the RSS Residual annual average delivery figure of 1440 would be reached.

Under section 5(5) of the Planning and Compulsory Purchase Act 2004, PCC was required as a strategic planning authority to provide advice to EERA on whether Peterborough should be considered as a sub-region with sub-regional policies in the RSS (East of England Plan).

Studies had identified a coherent and functional sub-region around Peterborough and a boundary had been identified. A study by Fordham Research (2008) on the Housing Market had also confirmed a sub-region based around Peterborough. Specific policies were required to tackle issues in the sub-region. However effective implementation was hampered by the sub-region spanning across the regional boundary, and there being no functioning arrangement to manage delivery. In order to tackle these issues it was proposed that a sub-regional body should be pursued as a mechanism to encourage effective cross boundary working.

CABINET RESOLVED TO:

1. Approve the advice to the Regional Planning Body (set out in annexes 1 and 2 of the report) on the forthcoming review of the East of England Regional Spatial Strategy.
2. Agree to pursue discussions with other local authorities on the establishment of a sub-regional grouping or body to stimulate sub-regional growth and regeneration.
3. Agree to pursue discussions with specialist and local groups on the potential opportunities that arise from growth and regeneration.

REASONS

The provision of advice was a statutory requirement under the Planning and Compulsory Purchase Act 2004.

ALTERNATIVE OPTIONS

The alternative option was not to provide EERA with advice. This was rejected because the Council would not be fulfilling its statutory requirement.

7. MONITORING ITEMS

7.1 Annual Audit and Inspection Letter 2007/2008

Cabinet received the Annual Audit and Inspection Letter for 2007/2008, prepared jointly by its external auditors PricewaterhouseCoopers (PwC) and the Audit Commission Relationship Manager and reviewing the Council's arrangements and progress in relation to the Audit of the Accounts and the Use of Resources.

Members asked whether the Audit Commission had taken account of the enormous amount of project work being undertaken around the growth agenda compared to more "static" authorities. As an authority with a larger agenda it was therefore doing more with limited resources. Officers from the Audit Commission present at the meeting gave assurances that the council scored well in its Corporate Assessment and that the Commission recognised that the capacity of the authority was being used to best effect. The direction of travel had been looked at in comparison to other authorities, and also in relation to Peterborough's own priorities. Looking forward it was recognised that Peterborough recognised the challenges it faced and had plans and resources in place to deliver its agenda.

CABINET RESOLVED TO:

Approve the Audit and Inspection Letter 2007 / 2008.

REASONS

The Council was required to consider the statutory Audit and Inspection Letter and make appropriate arrangements in response to recommendations.

ALTERNATIVE OPTIONS

The External Auditor may have taken on board responses received prior to its formal publication, though he had a duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. No specific alternative options were submitted to Cabinet for consideration.

7.2 Performance Monitoring Report – Quarter 3 – 2008-2009

The report provided information on the council's performance between 1 October 2008 and 31 December 2008 against the following three key areas:

- Corporate Plan
- Local Area Agreement (LAA)
- National Indicator Set

Good progress had been made within a number of key areas of delivery with 59 (49%) indicators on track to achieve targets. Monitoring and reporting of performance continued to be strengthened and challenged through monthly reporting to ensure services remained on track for delivery.

Nineteen indicators showed negative performance and where indicators had under-performed over a period, further investigation and detailed analysis had been undertaken to identify root and cause. Where required, action plans had been revised to ensure performance could be brought back on track.

Members welcomed the new format of the report which was felt to be more manageable. It was suggested that where indicators were showing amber status some text could be included to show what action was being taken to make improvements. The red status of growth was felt to be disappointing and it was recognised as important that discussion should take place to help to understand the reasons behind this.

CABINET **RESOLVED** TO:

Note that:

- (i) the performance of Corporate Plan and Local Area Agreement priorities was improving against the targets set.
- (ii) where areas of concern has been identified, actions were in place or further review and analysis was being undertaken to put them in place to bring performance back on track.

REASONS

Failure to monitor performance would mean that Cabinet would not be able to ensure that the council achieved its intended outcomes.

ALTERNATIVE OPTIONS

The report was presented for monitoring purposes.

7.3 Outcome of Petitions

CABINET **RESOLVED** to note the action taken in respect of the following petition presented to full Council:

PETITION – PROVISION OF A NEW RECREATIONAL AREA FOR EXTREME SPORTS

This petition had been presented to Council by Councillor Benton and requested the City Council's support by investing in the building of a new recreational area for extreme sports.

The Council's Head of Culture had responded and advised as follows:

"Thank you for enclosing background information which I have read with interest. I am aware that the closure of **Y2SK8** by the owners has created a deficiency for extreme sports in the city. I am very sympathetic to your position.

The Council has identified the need for good quality indoor provision for both traditional and extreme sport, and consequently incorporated this into its Sports Strategy (2009-14). The strategy recognises the importance of sport and active recreation and the positive impact it has on people's lives which you have articulated in your background information. The Council is committed to improving its sports provision further and is currently investigating ways that this can be achieved.

The Council recognises that it needs to balance provision of facilities for traditional sports with others, such as extreme sports. As part of its plan, the Council is working closely with Opportunity Peterborough to explore the feasibility of a flagship city centre sports facility, which could bring together a number of sports, including an area for extreme sports. This however is likely to take a number of years to come to fruition.

With respect to outdoor skate parks, the Council has invested significant resources in recent years to improving localised provision. These are designed for universal use and I appreciate they do not provide enough challenge for competent and advanced skaters. I would be happy to facilitate a meeting with you and colleagues to explore ways in which these areas can be further enhanced."

REASONS

Standing Orders required that Council receive a report about the action taken on petitions. As the petition presented in this report had been dealt with by Cabinet Members or officers it was appropriate for the action to be reported in this way so that it would be presented in the Executive's report to Council.

ALTERNATIVE OPTIONS

The report was presented for monitoring purposes.

Meeting closed at 11.40 p.m.

Chair.....

Date.....

CABINET	AGENDA ITEM No. 5.1
Date 6 July 2009	PUBLIC REPORT

Cabinet Member responsible:	Councillor David Seaton – Cabinet Member for Resources	
Contact Officer(s):	Christina Wells Head of Strategic Improvement and Partnership	Ext 863604

PERFORMANCE MONITORING REPORT – YEAR 2008-09

R E C O M M E N D A T I O N S	
FROM : CMT	
Cabinet is requested to note:	
(i) The 2008/9 performance against the Local Area Agreement priorities	

1. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Cabinet with an overview of April 08 – March 09 performance against the targets and indicators in the Local Area Agreement.
- 2.2 This report is for Cabinet to consider under its Terms of Reference no. 3.2.1 ‘to take collective responsibility for the delivery of all strategic Executive functions within the Council’s Major Policy and Budget Framework and lead the Council’s overall improvement programmes to deliver excellent services’.

Is this a Major Policy Item/Statutory Plan?	NO
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3 BACKGROUND

- 3.1 The Sustainable Community Strategy (SCS) is the plan for the future of our City and the surrounding villages and rural areas. It aims to improve the quality of life of the people of Peterborough and to raise the profile and reputation of the City as a great place in which to live, visit and work. It has been developed with our partners around four areas of work.
- Creating opportunities – tackling inequalities
 - Creating strong and supportive communities
 - Creating the UK’s environment capital
 - Delivering substantial and truly sustainable growth

3.2 The Local area Agreement (LAA) is the delivery strategy for achieving the outcomes set out in the SCS. It is a three-year agreement negotiated on a rolling three-year basis between the partners in Peterborough under the auspices of the Greater Peterborough Partnership (GPP), and regional and national government. It sets out the agreed actions and targets to enable us to deliver our SCS. 2008/9 is year 1 of the agreement.

3.3 There are 75 indicators used to measure progress in Peterborough’s LAA and these are distributed across the priority areas. They are drawn from a nationally prescribed set of 188 collectively called the National Indicator Set (NIS).

4. MANAGING PERFORMANCE

4.1 During 2008/9 there has been significant improvement in the way the organisation and its partners measures, monitors and manages its performance. The performance management process now provides a framework to identify progress and delivery risks and supports improvement by providing extra help to solve problem areas.

4.2 The innovative solution centre is part of the support available and has received regional recognition for providing additional capability to problem solving, enabling faster and deeper progress on hard to achieve outcomes. Since November 2008, teenage pregnancy, childhood obesity and vehicle crime have now been through the process and an improvement in performance during 2009 -10 is expected as a result.

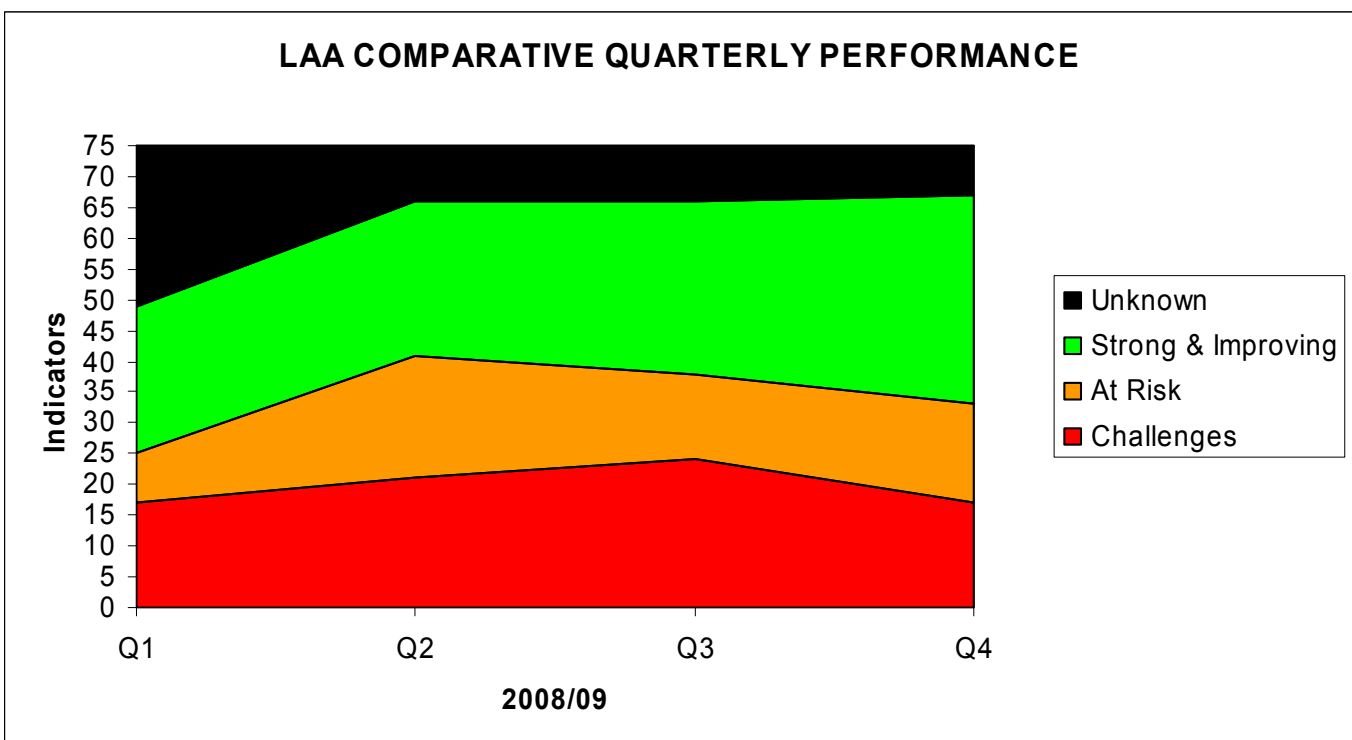
4.3 For 2009/10 an additional level of support to solve difficult problem areas is being introduced which will is less intensive than the solution clinic but utilises the methodologies developed in the solution centre.

4.4 Progress on the LAA is reported on a monthly basis to PCC corporate management team and to the GPP Executive.

4.5 The local PSA reward grant is based on including and achieving a number of stretching targets within the LAA. Peterborough secured in excess of £1.6m on this basis, which has been used to fund further activity to support delivery including some of the GPP infrastructure costs.

5. LAA PERFORMANCE 2008/09

5.1 The following graph illustrates the number of indicators performing at red, amber and green over the year



5.2 It shows that:

- For a small number of indicators there is still no way to measure progress. This is because some indicators in the NIS measure things which have never been measured before and therefore this is the first year of ‘capturing’ data, and some have not had a baseline of data available to measure progress against at the start of the year. Unknown data has improved across the year
- At the end of the year there were 8 eight indicators where we are not yet able to measure performance (10% of the LAA)
- Strong and improving performance (green) was better at the end of the year than at the beginning.
- There were more amber (at risk) indicators at the end of the year but this has improved from a peak at Q2.
- The number of indicators that are red has remained the same as at the start of the year.

5.3 The following table is an analysis of the indicators across the priority areas

LAA INDICATORS						
	Consistently strong performance	Improving performance	Areas of risk	Persistently challenging	Unknown data	Total
Environmental Capital	75% (9)	0	25% (3)	0	0	12
Opportunities and Inequalities	25% (9)	14% (5)	20% (7)	29% (10)	12% (4)	35
Strong and Supportive Communities	31% (4)	12% (2)	25% (4)	19% (3)	19% (3)	16
Substantial and Sustainable Growth	33% (4)	8.5% (1)	17% (2)	33% (4)	8.5% (1)	12
Overall	26	8	16	17	8	75

5.4 It shows that:

- During 2008/09 there 26 consistently strongly performing indicators across all four priority areas (35% of the LAA). Creating the UK’s Environment Capital is the strongest performing priority.
- There are 8 improving indicators (11% of the LAA) of which 5 are in the Opportunities and Inequalities priority.
- There are 16 indicators where performance has deteriorated (21% of the LAA) which are spread across the priorities. 7 of these are in the Opportunities and Inequalities priority.
- There are 17 persistently challenging indicators (22% of the LAA). 10 of these are in the Opportunities and Inequalities priority.

5.6 Consistently Strong Performance includes:

- Attaining the highest recycling rates amongst unitary authorities within the UK
 - Achieving a significant 15% modal shift *including* one of the highest growths in bus passenger journeys in the East of England over recent years Being awarded Beacon Status for accessibility in 2008
 - Peterborough hosting the country's largest Environmental Goods and Services sector (Enviro-Cluster)
 - Advancing the innovative University Centre Peterborough (UCP) to budget and ahead of schedule.
 - Surpassing the Affordable Housing Programme target by 20%
 - Secured an additional £3.9m to deliver and unlock substantial housing growth
 - Significant improvement in Level 2 and Level 3 educational qualifications by age 19, exceeding the LAA targets
 - Major improvements in carers support through assessments, advice and increased engagement
 - Looked After Children are experiencing more stable placements with targets being exceeded
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- The only authority rated double dark green in the recent National Strategies progress check following excellent performance in Early Years Foundation Stage
 - National recognition for progress on preventing violent extremism
 - Reducing teenage pregnancy target by 16%
 - Mortality rates from circulatory diseases is reducing, achieving significant progress against our biggest killers of people in Peterborough
 - Persistent absences from school has reduced
 - The Youth Offending Service (YOS) has sustained improvements throughout 2008/9 and first time entrants to the youth justice system have reduced significantly

5.7 Improving performance includes

- Substantial improvement in contextual value added key Stage 2 with league table ratings of 42nd in 2008 compared to 105th in 2007, the largest improvement jump of any local authority in the year
- A 25% increase in community based volunteering
- Reduction the number of 16-18 year olds Not in Education, Employment or Training (NEET)
Reduction in smoking cessation has made a direct improvement in the health of the population, while contributing to the positive decline in coronary heart disease, stroke, cancer and overall mortality rates.

5.8 At risk performance includes

- The number of working age people claiming out of work benefits in the worst performing neighbourhoods is not reducing but initiatives have been introduced into Westwood, Paston and Dogsthorpe to aid those claiming ill health benefits to return to work.
- Low adult skills levels will be addressed through a Solution Clinic during 2009 alongside initiatives to increase employer engagement, develop structured and flexible progression pathways, increase take-up of 'Train to Gain' and developing the City University. This will build on the work achieved this year with Perkins and Hotpoint staff where 250 out of 600 ex-employees are now undertaking the 'train to gain' course to assist them back to work.
- Support for those with mental health problems through independent living and employment but this is expected to be resolved by September 2009.
- We have very challenging recycling rates and household waste taken to landfill which will be addressed with the introduction of anaerobic digestion of kitchen waste at the new recycling facility in Fengate.

5.9 Persistently challenging performance includes

- Community perception of street cleanliness remains a challenge despite improved services. 'Customer Engagement and Perception' in a locality is a cross cutting theme to be taken through the solution centre programme.
- Providing sufficient resources to progress the growth and regeneration of District Centres remains a challenge. New funding sources in 2009/10 and re-focussing of PCC's Neighbourhood Teams will resolve this in the forthcoming months.
- Tackling childhood obesity remains challenging. The solution centre programme has now been completed and solutions will be implemented for 2009/10. Outcomes will be realised over the next three years.
- Reducing hospital admissions due to alcohol related harm is a persistent poor performing indicator and will be addressed by implementing the alcohol harm reduction strategy.
- Serious acquisitive crime continues to be a challenge. Vehicle crime has been through the solution centre and the implementation of solutions, including the risk targeting model, the Joint Delivery Group, and integrated offender management are expected to change performance in 2009
- The need to narrow the gap between those lowest performing within the Early Years Foundation Stage and their peers. A number of targeted approaches have been put in place including embedding the virtual school for children in care, initiatives in schools and children's centres to improve learning and skills outcomes

6. Background Documents

Sustainable Community Strategy 2008-2021

Local Area Agreement 2008-2011

These documents can be found at www.gpp-peterborough.org.uk

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CABINET	AGENDA ITEM No. 5.2
6 July 2009	Public Report

Cabinet Member(s) responsible:	Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director of Strategic Resources John Blair, Head of Strategic Finance	Tel. 452398 Tel. 384564

BUDGET MONITORING REPORT FINAL OUTTURN 2008/09

R E C O M M E N D A T I O N S	
FROM : <i>Executive Director of Strategic Resources</i>	Deadline date : 19 June 2009
<p>1. That the final outturn position for 2008/09 on the Council's revenue and capital budget is noted.</p> <p>2. That the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments be noted.</p>	

1. ORIGIN OF REPORT

1.1. This report is submitted to Cabinet on 6 July 2009 as a monitoring item.

2. PURPOSE AND REASON FOR REPORT

2.1. The purpose of this report is to inform Cabinet of the final financial performance for revenue and capital for 2008/09.

2.2. This report also contains performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. FINAL OUTTURN 2008/09

4.1. Corporate Overview

4.1.1. The Budget for 2008/09 was set in February 2008 when the economy was stable. During 2008/09 the 'credit crunch' and related recession have had a significant impact on the revenue and capital income of the Council. The recession can further adversely affect Council expenditure as the demand and support needs of the local community change depending on individual circumstances.

- 4.1.2. Since approving the budget in February 2008, in the context of year two of a three year financial settlement and corporate plan running to 2011, the Council expected to deliver its priorities and continue its strategy of achieving service delivery efficiencies. Early in 2008/09, it became clear that the economy was potentially heading for a recession, the financial markets were becoming increasingly unstable, traditional income streams such as parking income and planning fees were decreasing and the energy market was experiencing turbulent price fluctuations.
- 4.1.3. Collectively, the Corporate Management Team and Departments implemented a range of short term measures to mitigate any financial impact within revenue and capital during the financial year such as: -
- i. A moratorium on capital or freeze on capital projects to enable assessment of the capital programme, further potential for capitalisation of spend shown within revenue and financing of capital projects;
 - ii. Reviewing the impact of the Council's cash flow in the context of the volatile financial markets;
 - iii. Monitoring of the risks identified within the Medium Term Financial Strategy, monthly budget monitoring reports and analytical review performed on the previous financial year;
 - iv. Measuring the direct impact of the credit crunch on the Council whilst having regard for the indirect impact;
 - v. Reviewing the levels of reserves, balances and contingencies since the budget was approved;
 - vi. A robust review of Operations and Children Service's budgets, implementing and monitoring of an action plan to mitigate pressures. The pressures within these budgets resulted primarily from demand led services, reduced income streams and the ability to meet the ambitious savings programme;
 - vii. Other remedial actions across all departments such as a freeze on recruitment and supplies and services budgets on all non business critical expenditure.
- 4.1.4. In summary, the Corporate Management Team has successfully managed the impact on the Council's finances and delivered an improved position on that previously forecast.

4.2. Financial Report – Revenue

- 4.2.1 The Council's overall revenue financial position is £141k under spend. This is in part due to the robust mechanisms put in place to mitigate the impact of the credit crunch, utilising the capacity fund to meet one off expenditure, capitalisation of eligible revenue expenditure and reduced costs of borrowing and financing. The change in the financial position has been summarised in the next table.

Key Movements	£000	£000
Adopted Outturn (Full Council 25 February 2009)		564
Direct Credit Crunch Impact	115	
Demand Led Pressures	118	
Capitalisation of ICT (PC Replacement)	-213	
Other Pressures and Management Actions	-725	
Net Movement		-705
Final Outturn		-141

- 4.2.2 The direct impact of the credit crunch has been monitored throughout 2008/09 and has resulted in an overall budgetary pressure of £1,066k, an increase of £115k since the adopted outturn as seen in the following table.

Income	Impact of Credit Crunch £k	Movement from Adopted Outturn
Planning Fees	600	↓
Land Charges	271	↑
Commercial Property Rents (Increase in Void Units and NNDR on unlet properties)	195	↔
TOTAL	1,066	

- 4.2.3 The impact of the credit crunch can be seen on reduced income streams from planning fees and land charges whilst the Council has increased expenditure relating to increased void and vacant properties beyond the provision included in the current budget. Reduced income levels can also be seen on parking income and contracts.
- 4.2.4 The final outturn revenue monitoring report shows an overall forecast under spend of £141k against the approved general fund budget of £154,629k. The under spend is summarised in the next table at departmental level. A breakdown by departments is included in Appendix A.
- 4.2.5 The Dedicated Schools Grant (DSG) shows an overall over spend of £6k against a budget of £108,580k. However in accordance with accounting guidance this balance will be carried forward into 2009/10 to be recovered from the DSG. The grant has been updated since the MTFs was published. Schools Forum is responsible for decisions related to the Dedicated Schools Grant. This has been included for information purposes only.

Adopted Outturn £(k)	Summary of Revenue Position at 31 March 2009 (Final)	Annual Budget £(k)	Actual £(k)	Variance £(k)
509	Chief Executive	7,918	8,457	539
335	Assistant Chief Executive	9,679	9,608	-71
0	Children's Services	46,135	46,120	-15
292	City Services*	12,218	12,965	747
860	Environment & Community	21,112	21,795	683
-1432	Strategic Resources	18,979	16,999	-1,980
0	Adult Social Care	38,588	38,544	-44
564	General Fund Total	154,629	154,488	-141
413	Dedicated School Grant Total	108,580	108,586	6

* - Includes costs associated with the corporate decision to retain Westcombe

4.3. Financial Report – Reserves

- 4.3.1 In setting the 2008/09 budget, the level of Council balances was considered sufficient in meeting the MTFs recognising the requirement to review the balances to ensure delivery of the priorities within the corporate plan to 2011.

4.4. Financial Report – Capital

4.4.1 At the start of the 2008/09 financial year the Capital Programme was £100.6m. This revised budget was a combination of the agreed Medium Term Financial Plan (MTFS) of £76m and final slippage of schemes from 2007/08 of £24.6m which was mainly the result of delays with projects.

4.4.2 The global economic climate also impacted on the generation of capital receipts for the Council, which in turn influenced the way the Council funded the programme. The original budgeted level of receipts stood at £43.4m, however only £6.5m was actually received by the end of March 2009. From the proactive management actions outlined below the Council has been able to reduce its overall level of borrowing by £7.1m against the revised February budget mainly due to a more efficient use of grants against capital projects.

Overall position of the Capital Programme 2008/09

Capital Programme by Directorate:	MTFS 2008 to 2010	Budget 2008/09 Including Slippage From 2007/08	Revised Budget Feb 09	Outturn Expenditure
	£000		£000	£000
Adult Social Care	516	651	651	318
Assistant Chief Executives	14,073	17,864	6,720	5,204
Children's Services	22,692	32,508	26,854	21,600
City Services	1,233	2,305	2,468	2,405
Environment and Community Services	16,435	19,842	18,483	16,025
Chief Executives	2	128	128	205
Strategic Resources	13,205	19,473	12,761	12,096
Total Expenditure	68,156	92,771	68,065	57,853
Contingency	(939)	(939)	(916)	0
Estimated Slippage	8,760	8,760	-	-
Total	75,977	100,592	67,149	57,853
Financed by:				
Grants & Contributions	21,681	31,520	34,782	34,334
Capital receipts	43,428	43,428	5,387	6,548
Borrowing	10,868	25,644	26,980	16,971
Total Resources - required	75,977	100,592	67,149	57,853

4.4.3 To ensure that expenditure was targeted correctly a moratorium, or freeze, was placed on all capital projects therefore reviewing all of the schemes in the capital programme in order to assess and target the Council's available resources to those areas with the greatest demand.

4.4.4 The final position for the Capital Programme expenditure is £57.8m which is significantly less than the revised budget in April 2008 of £100.6m. This is the result of the following actions:

- i. A moratorium, or freeze, on all capital projects
- ii. Natural delays of work being completed on schemes
- iii. Savings being made in the delivery of schemes

4.5. Financial Report – Treasury Management Activity 2008/09

4.5.1 The Treasury Management Strategy was adapted during the year in the light of actual and forecasted developments to the national and local economic situation. The Strategy seeks minimal net financing costs over the medium term whilst still being aware of the short-term implications of decisions taken.

4.5.2 In summary, therefore, the following actions were taken:

- i. In anticipation of large scale borrowing by the UK Government, which was likely to lead to rising fixed term interest rates, limited new borrowing and restructuring of existing Council debt was undertaken in August. The fixed interest rates achieved at the time are lower than those currently prevailing in the money market, which validates the approach taken.
- ii. Investment returns on in-hand cash balances have fallen below borrowing rates, so these monies are being used to temporarily finance capital expenditure instead of borrowing. As investments have declined, the Council has simultaneously avoided its exposure to the risk that deposit-taking institutions may fail to repay investments on maturity.
- iii. Investment returns were expected to fall later in 2008/09, so it was decided in late Summer 2008 to place a proportion of available cash on deposit at fixed, higher interest rates, for periods up to one year. This strategy enabled the Council's investment performance to exceed the benchmark by 1.4%.

4.5.3 The 2008/09 treasury management activities are summarised as follows:

	Strategy	Action
a)	Exploit long-term funding opportunities at interest rate levels that are below short-term rates forecast / anticipated over the foreseeable future.	In anticipation of rising long term borrowing rates, £2m was raised in August. Further funding has been delayed as long term rates have risen while short term / variable rates have fallen.
b)	Consider rescheduling of fixed or variable rate loans to maximise interest rate savings and minimise the impact on Council budgets.	£6.8m of existing debt was rescheduled in August to secure very long term funding at an advantageous fixed interest rate, which provides budget certainty for the duration of the replacement loan.
c)	Consider repayment of external loans or avoid new borrowings when it is in the best financial interest to do so.	As investment returns fell below the cost of borrowing later in the financial year, in-hand cash balances were used to temporarily finance capital expenditure instead.
d)	Invest with credit worthy organisations to limit exposure against loss.	The Council's lending criteria has been successively tightened during the last 18 months. Despite this the Council has a £3m exposure to Icelandic owned UK banks as these deposits were placed prior to the credit crisis. Currently the Council only lends to the UK Government, local authorities and our own bank, Barclays.
e)	To achieve the optimum investment return	The investment portfolio was

	Strategy	Action
	commensurate with security, liquidity requirements (access to funds), debt management alternatives (avoidance of borrowings, premature repayments etc), if these would generate savings in the medium term.	restructured as the credit crisis deepened. In-hand cash balances have been used to finance capital expenditure to minimise counterparty risk and as an alternative to diminishing investment returns. Even allowing for the non-performing Icelandic deposits, the Council's investments have yielded 5.06% compared to the benchmark of 3.66%.

4.5.4 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In 2008/09 the CFR was:

Opening Capital Financing Requirement 1 April 2008	£000 134,255
New Capital Expenditure Financed by Borrowing	16,971
Minimum Revenue Provision for Debt Repayment	(5,363)
Closing Capital Financing Requirement 31 March 2009	145,863

4.5.5 Compared against the CFR the following loan transactions were undertaken during the year:

Borrowings as at 1 April 2008	£000 139,636
External Loans Maturing in 2008/09 and not replaced	(7,128)
Capital Expenditure Financed by Borrowing	
New External Loans (see 4.5.7 below)	2,000
Use of Internal Cash Balances in lieu of External Borrowing	11,355
Rescheduling of Loans (see 4.5.8 below)	
Loans Prematurely Redeemed	(6,757)
Replacement Loans Raised	6,757
Closing Capital Financing (Borrowing) Requirement	145,863

4.5.6 The following new long-term loan was raised from the Public Works Loans Board in 2008/09 to finance capital expenditure and to replace maturing loans:







	£(k)
Borrowed on 15/08/08 for 49 years at a fixed rate of 4.39%.	2,000

- 4.5.7 During the year an opportunity arose to reschedule £6.76 million of debt i.e. repaying loans early and refinancing into another maturity period at a low interest rate. The transactions were as follows:

	£(k)
Redeemed on 12/08/08, 2 years remaining, running at an interest rate of 5.35%.	(2,000)
Redeemed on 12/08/08, 4 years remaining, running at an interest rate of 5.35%.	(2,257)
Redeemed on 12/08/08, 4.5 years remaining, running at an interest rate of 5.35%.	(2,500)
Replacement loan on 12/08/08 for 50 years at a fixed rate of 4.42%.	6,757

4.6. Financial Report – Performance Monitoring

- 4.6.1 The following table summarises the current status of various performance targets. Individual targets are shown with a RAG status and Direction of Travel based upon the performance against the targets set for 2008/09 and compared with the previous month. Further detail can be seen in Appendix B.

Performance Data	Current Month	
	RAG Status	Direction of Travel
Treasury Management	A	
Prompt Payment of Invoices	R	
Outstanding Sundry Debt	R	
Housing Benefit Overpayments	R	
Council Tax Collection	A	
Business Rates Collection	A	

- 4.6.2 During 2008/09, remedial action has been taken to limit the impact on the performance indicators which were set before the downturn of the economy was known.
- 4.6.3 In particular the level of tax collection has become more problematical as the recession impacts on council tax payers and business rate payers.

5 CONSULTATION

- 5.1 Detailed reports have been discussed in Departmental Management Teams.

6 ANTICIPATED OUTCOMES

- 6.1 To note the outturn position for the Council.

6.2 To note the performance figures for the Council.

6.3 To note the actions being that have been taken during 2008/09.

7 REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for the 2008/09 financial year is part of the process for producing the Statement of Accounts.

8 ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9 IMPLICATIONS

9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985).

Detailed monthly budgetary control reports prepared in Departments.

Budget Monitoring Revenue 2008/09 by Department			
	Annual Budget £(k)	Outturn Forecast £(k)	Outturn Variance £(k)
CHIEF EXECUTIVE DEPARTMENT			
Chief Execs Department	421	719	298
Legal & Democratic Services	3,896	3,874	-22
Human Resources	3,601	3,864	263
CHIEF EXECUTIVE DEPARTMENT TOTAL	7,918	8,457	539
ASSISTANT CHIEF EXECUTIVE			
Asst Chief Executive Unit	2,122	1,927	-195
City Centre	757	759	2
Communications	590	792	202
Strategic Growth & Development	6,154	6,130	-24
DIP/DAAT	56	0	-56
ACE TOTAL	9,679	9,608	-71
DIRECTOR OF CHILDREN'S SERVICE			
Resources	5,385	5,005	-380
Commissioning and Performance	2,624	2,120	-504
Learning & Skills	9,279	8,803	-476
Family and Communities	5,895	5,614	-281
Children's Social Care	22,952	24,578	1,626
CHILDREN'S SERVICE TOTAL (GENERAL FUND)	46,135	46,120	-15
DIRECTOR OF CITY SERVICES			
Building & Technical	-797	382	1,179
Street Scene & Facilities	1732	1,919	187
Property, Design and Maintenance	-141	-380	-239
Other Trading Activities and Business Support	1977	1,682	-295
Maintenance	9401	9,119	-282
Westcombe	46	243	197
CITY SERVICES TOTAL	12,218	12,965	747
DIRECTOR OF ENVIRONMENT & COMMUNITY SERVICES			
Director's Office	817	1,018	201
Resilience Team	467	426	-41
Planning Services	1,317	1,940	623
Environment & Public Protection Services	2,418	2,286	-132
Community Safety	0	0	0
Transport & Engineering	9,319	9,603	284
Culture & Recreation	6,151	5,816	-335
City Centre Director	623	706	83
ENVIRONMENT & COMMUNITY SERVICES TOTAL	21,112	21,795	683
DIRECTOR OF STRATEGIC RESOURCES			
Director's Office	183	148	-35
Finance	10,364	8,491	-1,873
Strategic Improvement	687	765	78
ICT	1,441	1,224	-217
Strategic Procurement	130	489	359
Strategic Property	-3,651	-3,308	343
Customer Services	1,804	1,762	-42
Revenue & Benefits	748	156	-592
Internal Audit	150	149	-1
Efficiency Team/Projects	2,805	2,805	0
Waste Management	4,318	4,318	0
STRATEGIC RESOURCES TOTAL	18,979	16,999	-1,980
ADULT SOCIAL CARE			
Adult Social Care	38,588	38,544	-44
ADULT SOCIAL CARE TOTAL	38,588	38,544	-44
GENERAL FUND TOTAL	154,629	154,488	-141
DEDICATED SCHOOL GRANT TOTAL	108,580	108,586	6

PERFORMANCE MONITORING DATA

Treasury Management

Treasury management activities cover borrowings raised to finance the Council's capital expenditure and investment of its cash balances. The Council's external debt as at 31 March 2009, which is all at fixed rate, was £134.5 million at an average rate of 4.57%. This average rate can be compared to the Bank Base Rate, 0.5% from 5 March 2009, and interest receivable on investments. The actual total external debt of £134.5 million can be compared against the Council's Authorised Limit for borrowing of £194.0 million which must not be exceeded, and the Operational Boundary (maximum working capital borrowing indicator) of £150.0 million.

At 31 March 2009 external investments totalled £48.5 million and have yielded interest at an average rate of 5.06% in the financial year to date. The performance is above the target benchmark 7 day rate of 3.66%.

Prompt Payment (Invoices paid within 30 Days)

The current performance for the prompt payment of invoices for 2008/09 in comparison to the cumulative performance for 2007/08 is shown in Table 3.

Phase 2 of the Invoice Processing project implemented early February is resulting in an increase of responses from departments to clear invoices that have been on hold (unpaid) for an extended period. The benefit from this project enables departments to be automatically notified when an invoice requires intervention and view a scanned image of the invoice.

Performance for month ending April 2009 has resulted in 95.7% invoices being paid within 30 days.

Table 1 : Performance on Borrowings 2008/09

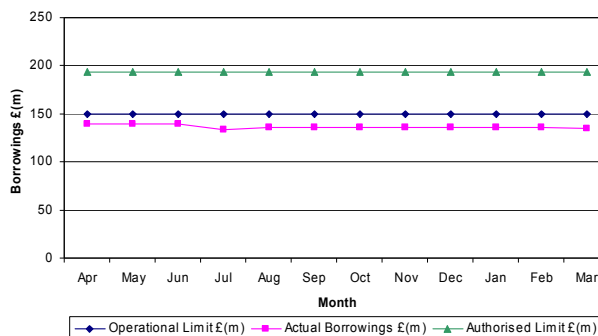


Table 2 : Performance External Investments 2008/09

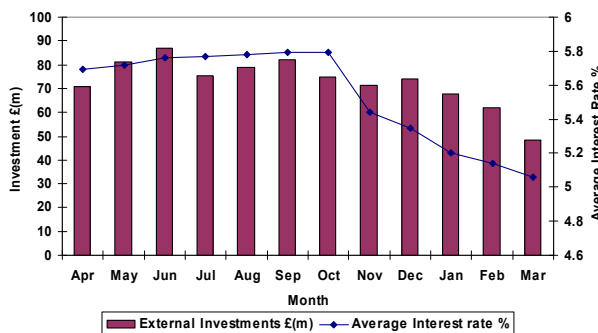
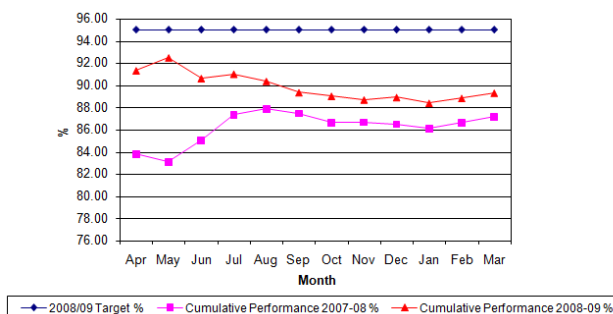


Table 3 : Prompt Payment of Invoices



Sundry Debt Performance

The latest outstanding sundry debt figures for debt over 6 months old are shown in Table 4 in comparison to 2007/08 figures. The impact of the recession has resulted in delayed payment of invoices by customers, non payment or rescheduling of the amount due into instalments. These figures include debt that will potentially require write off using the Cabinet Member Decision Notice as the individual debt is in excess of £10k. Decision notices are currently being prepared and a prudent view has accounted for the potential bad debt within the debt provision.

The amount of debt written off for 2008/09 is £134,484 from 502 invoices. This amounts to an average of £267.90 per invoice. The main reasons for writing off debt are:

- Historical sundry debt outside of statutory deadlines;
- The debt being uneconomical to pursue; and
- Legal Services and the bailiff company exhausting all possibilities of recovering the debt.

The Council's strategy for writing off debt is followed accordingly.

Housing Benefit Overpayments

Table 6 shows the total amount of housing benefit overpayments recovered against the target rate of 50%.

Work continues in this area to improve current performance, the Council carried £1,674m over from last year and to date have raised a further £1,479m of which £1,187m has been recovered this year, equating to 37.66% against PM8 which calculates both in year identified and previous year balances against amount recovered. The percentage recovered against the balance raised during period equals 80.28% but this to date has not been split between current and aged arrears.

Table 4 : Sundry Debt Performance

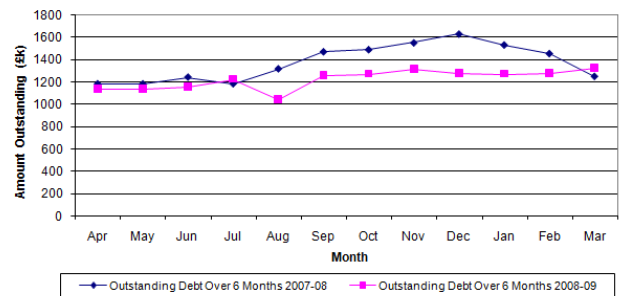


Table 5 : Amount Written Off

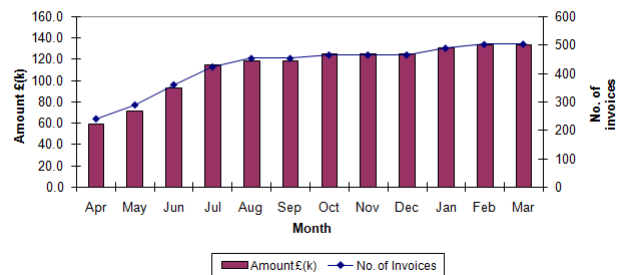
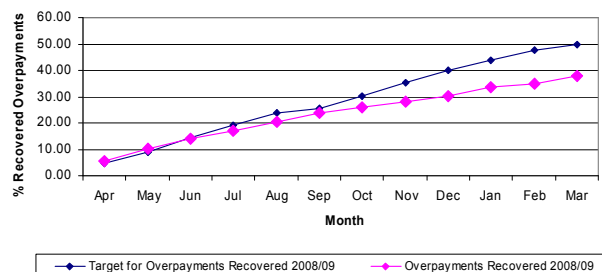


Table 6 : Housing Benefit Overpayments Recovered



The number of claimants has risen since the economy has been in recession.

Council Tax and Business Rates Collection

The following tables 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.

Council Tax

The collection rate for Council Tax at the end of the financial year 2008/09 is 96.24% against a target of 97.5% (down 1.26%). Compared with the collection rate for the previous year the rate was 96.85% (down 0.61%).

It should be noted that the target was set during the previous year without the foresight to predict the significant economic downturn that has gripped the country. There can be little doubt that this has affected the ability to improve upon the previous years collections although the proactive recovery actions taken by the team does appear to have limited the deficit of in year collection to a relatively small amount, in the circumstances.

Business Rates

The collection rate for Business Rates at the end of the financial year 2008/09 is 96.90%. This is 2.5% down on the target and 1.38% down on the previous year. Changes in legislation meant that previously exempt properties that were unoccupied began to attract a charge. This increased the overall amount that needed to be collected and given that there was no trading from the premises in question meant that it was more difficult to collect. In addition to this the well know credit crunch has undoubtedly had a direct impact on the level of business rates collected and it is anticipated that this situation will continue in the new financial year.

Table 7 : Council Tax Collection

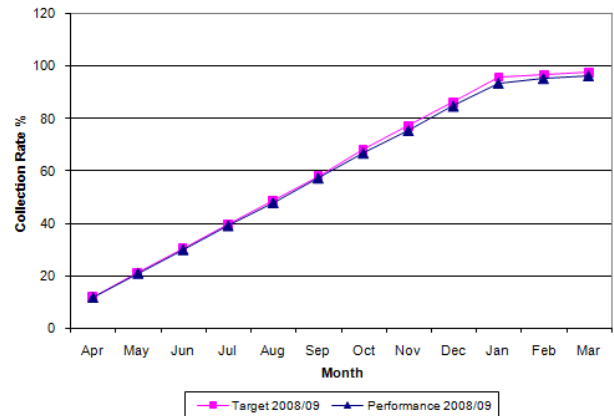
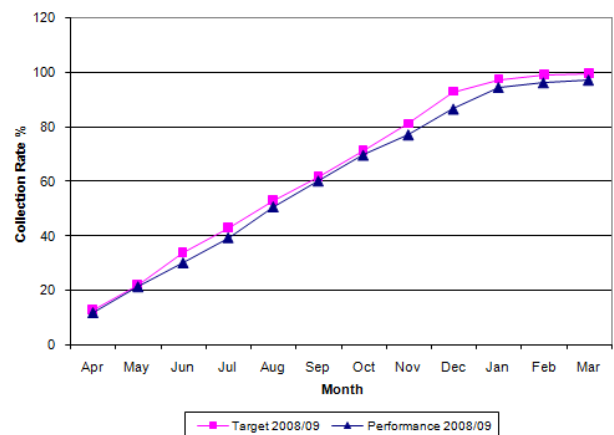


Table 8 : Business Rates Collection



AUDIT COMMITTEE	
29th JUNE 2009	

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Director of Strategic Resources John Blair, Head of Strategic Finance	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

RECOMMENDATIONS	
FROM : Director of Strategic Resources	Deadline date : 29th June 2009; <i>statutory deadline for approving Accounts</i>
<p>1. Members are requested to note that this report presents the Statement of Accounts for 2008/09. Members of the Committee are required to scrutinise the figures being presented. The Statement of Accounts, which will be referred to, in the remainder of this report, as the Accounts, remains subject to External Audit by Price Waterhouse Coopers (PwC).</p> <p>2. This report recommends that the Audit Committee:</p> <ol style="list-style-type: none"> i. Scrutinises the Accounts for the year ended 31 March 2009. ii. Approves transfers to / from Reserves, as set out in the Note 48 to the Core Financial Statements in the Accounts in accordance with the recommendations of the Director of Strategic Resources. iii. Approves the summary capital expenditure statement and its financing, as set out in Appendix 4 and the detailed financing in Note 24 to the Core Financial Statements in the Accounts. iv. Notes the Minimum Revenue Provision policy for 2008/09 as set out in paragraph 4.23. v. Approves the draft Accounts for the year ended 31 March 2009 as attached at Appendix 2, in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006). vi. Agrees to the publishing of a summary set of Accounts and to publish an electronic annual report on the Councils website following the stakeholder consultation. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee following consideration by the Corporate Management Team. This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2003 (amended 2006). The Council's Constitution, as agreed at the Annual Council Meeting in May, delegates this matter to the Audit Committee.
- 2.2. The Accounts must be approved by 30 June 2009, in accordance with the Accounts and Audit Regulations 2003 (amended 2006).

- 2.3. The Council Section 151 officer (Director of Strategic Resources) has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2009.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	YES	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. **KEY ISSUES**

Context - Comprehensive Performance Assessment (CPA) Use of Resources

- 4.1. This is the fourth time, at Peterborough City Council, that the Accounts have been considered by Audit Committee. Part of the role of this Committee is to ensure robust Member scrutiny on the financial position for 2008/09 and the effects this might have on the Budget for 2009/10 and for the Medium Term Financial Plan.
- 4.2. The role of the Committee in examining the Accounts has historically had significance in the Use of Resource scoring. Within the overall Comprehensive Performance Assessment (CPA), the production of the Accounts and external audit that followed formed the majority of the score for Financial Reporting. The 2007/08 judgement on Financial Reporting was a score of '4' (maintaining the '4' from the previous year.). This score was excellent and the Council has been recognised for notable practice in an Audit Commission national report called "summing up".
- 4.3. Attached to this report, Appendix 1, is a copy of the 'Key Lines of Enquiry' (KLOE) produced by the Audit Commission, relevant to Financial Reporting for 2008/09. The assessment for 2008/09 will form part of the overall Value for Money judgement on the organisational assessment. In order to score highly in this assessment the Council must demonstrate that "the Accounts were subject to robust Member scrutiny prior to approval".
- 4.4. The Accounts for 2008/09 must be presented by 30 June 2009. The ability to meet this deadline goes beyond the Corporate Accounting Teams and, without the support of Officers across all Departments, such a deadline could not be met.

Format of the Accounts 2008/09

- 4.5. The Accounts for 2008/09 conform with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Code of Practice for Local Authority Accounts and new Statement of Recommended Practice (SORP). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.6. The key contents of the various sections are as follows:
- *Explanatory Foreword*
 - *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council's finances
 - *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
 - *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
 - *Income and Expenditure Account* – reports the income and expenditure for all the Council's services in 2008/09, and demonstrates how that cost has been financed from general government grants and income from taxpayers

- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2009
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2009
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2008/09
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *notes* and by the *Statement of Accounting Policies*. There is no longer a Housing Revenue Account statement as this account no longer exists.
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.

External Audit Report on the Accounts 2007/08

- 4.7. On completion of the audit for 2007/08, the Council’s external auditors submitted to the Council a report entitled ‘2007/08 Report to those charged with Governance’. The report was presented to Audit Committee on 23 September 2008 as part of their external audit.
- 4.8. In the report the auditors brought attention to significant aspects of the year’s accounts, detailed below, and concluded that the management’s treatment of these items in the accounts was appropriate;
- included a prior period adjustment of £13.1m in relation to the investment properties included on the Balance Sheet;
 - adjustments were made to the 2007/08 Statement of Accounts in relation to the Council's Private Finance Initiative (“PFI”) schools to ensure that the accounting entries were appropriate.

Revenue Outturn 2008/09

- 4.9. The Council’s budget of £263.2m was set on 28 February 2009, against the background of demand led service pressures and ambitious savings proposals.
- 4.10. The Capital and Revenue Budget itself for 2008/09 had been rigorously scrutinised and additional resources made available to align it with the Council’s Corporate Strategy.
- 4.11. The Cabinet received regular budget monitoring reports throughout the year and this kept Members informed of the position on spending and the steps taken to keep within overall Cash Limits.
- 4.12. The Statement of Accounts, at Appendix 2, is presented in accordance with the Code of Practice that allows comparability with other authorities. However, the format differs from the budget analysis used for monitoring purposes which follows the Council’s departmental structure.
- 4.13. To assist an understanding of the outturn compared to budget, a comparison is shown at Appendix 4, the Budget Monitoring report 2008/09, which compares the outturn with the budget to show major variations and the explanation for these variances by Service. These follow the format used throughout the year in the reports to Cabinet.
- 4.14. In summary, the Financial Accounts for 2008/09 show:

Revenue Expenditure	Budget £000	Outturn £000	Variance £000
---------------------	----------------	-----------------	------------------

Chief Executive	7,918	8,457	539
Assistant Chief Executive	9,679	9,608	(71)
Children's Services	46,135	46,120	(15)
City Services	12,218	12,965	747
Environment & Community Services	21,112	21,795	683
Strategic Resources	18,979	16,999	(1,980)
Adult Social Care	38,588	38,544	(44)
Total Council Expenditure	154,629	154,488	(141)
Transfers to earmarked reserves			141
Surplus / (Deficit) to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

The financing of the Revenue Expenditure was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	8,742
Government Grant (Area Based Grant)	9,444
Distribution from National Non Domestic Rates	62,796
Demand on the Collection Fund	56,846
Reserves	16,801
Total Financing	154,629

4.15. The Council underspent by £141k, which was transferred to reserves.

4.16. The final balance on the General Fund is £6m, the minimum agreed level.

Capital Outturn 2008/09

4.17. At the start of the 2008/09 financial year, the Capital Programme was £100.5m. This revised budget was a combination of the agreed Medium Term Financial Plan (MTFS) of £75.9m and final slippage from 2007/08 of £24.6m.

4.18. As the global economic climate impacted on the Council's ability to generate capital receipts, used to fund the programme, the Council placed a moratorium on all capital projects. This management action, combined with natural delays in work being completed, and other savings made on the delivery of schemes resulted in the final capital expenditure for the year of £57.8m.

4.19. The final position is summarised in the Table shown overleaf and detailed in Appendix 4.

4.20. The amount of new long term borrowing undertaken during 2008/09 was £2m, along with £6.7m which was rescheduled to take advantage of more favourable interest rates. This comprised of borrowing supported by Revenue Support Grant of £7.8m, with the balance being met directly by the Council.

4.21. The amount of capital receipts received during 2008/09 was £6.5m, which was used to finance the capital programme.

4.22. Prudential Indicators have been produced for 2008/09 and these are set out in Appendix 5.

Capital Expenditure	Budget per MTFS 08-10 £000	2008/09 Budget inc. slippage from 2007/08 £000	Revised Budget at Feb. 09 £000	Outturn £000
Chief Executives	2	128	128	205
Assistant Chief Executives	14,073	17,864	6,720	5,204

Children's Services	22,692	32,508	26,854	21,600
City Services	1,233	2,305	2,468	2,405
Environment and Community Services	16,435	19,842	18,483	16,025
Strategic Resources	21,026	27,294	11,845	12,096
Adult Social Care	516	651	651	318
Total	75,977	100,592	67,149	57,853
Financed by:				
External Sources	21,681	31,520	34,782	34,334
Capital Receipts	43,428	43,428	5,387	6,548
Borrowing	10,868	25,644	26,980	16,971
Total	75,977	100,592	67,149	57,853

Minimum Revenue Provision (MRP)

- 4.23. This is the minimum amount which must be charged to a local authority's Income and Expenditure Account and set aside to repay debt.
- 4.24. A new statutory duty introduced in 2008 requires the local authority to determine an amount of MRP that it considers to be prudent. Previously local authorities were obliged to set aside a MRP at a fixed rate of 4% of the Capital Financing Requirement (CFR) outstanding at the beginning of each financial year.
- 4.25. Effective from 2008/09 the Council adopted a method of calculating MRP as follows:
- historic Capital Financing Requirement (debt liability) incurred prior to 1st April 2007, and supported borrowing (by grant) since then, is charged at 4%;
 - capital expenditure funded by unsupported borrowing within the debt liability at 31st March 2008, and subsequent years, is charged in line with the life of the asset for which the borrowing was undertaken.

Schools

- 4.26. Details on Schools Balances are shown in Note 17 to the Core Financial Statements in the Accounts. This shows that there was a net decrease in School Balances during 2008/09 of £3.9m from £9.5m to £5.6m. It reports there were 4 Schools (from 3 at 31 March 2008) with deficit balances at 31 March 2009. These Schools are required to submit plans to the Council demonstrating how these deficits will be overcome.

Collection Fund

- 4.27. During 2008/09, Council Tax collection rates had an in year final collection rate of 96.24%. There is a surplus on the Collection Fund at the year end of £1.4m. The Council's share of this surplus is £1.2m (83%), and this will be taken into account during the 2010/11 budget setting process.

Balance Sheet at 31 March 2009

- 4.28. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at the balance sheet date. The following paragraphs give a high level indication of the reason for movements from last year which total a net decrease of £53m.
- 4.29. The Revaluation Reserve represents the increases in the value of assets since 1 April 2008 and it increased by £21.4m during the year. This represents the increased revaluations, the release of revaluation gains on downward revaluations, and the difference between historic and current value depreciation since 1 April 2008.

- 4.30. The Capital Adjustment Account contains the balances on the previous Fixed Asset Restatement Account and the Capital Financing Account and reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account reduced by £29.7m, which is made up of a number of elements, including;
- Capital receipts financing,
 - Capitalisation direction
 - Application of capital grants,
 - Minimum setting aside of revenue to finance borrowing,
 - An element of capital expenditure which does not result in a fixed asset,
 - Depreciation and impairment charged to services
 - Write down of unidentifiable assets
- 4.31. The Pension Reserve, which balances the Pensions Liability, has increased by £29.3m. This is mainly because of the more unfavourable financial assumptions on 31 March 2009 compared to those at 31 March 2008 used by the actuaries in estimating the liabilities. The deficit on the local government scheme will need to be made good by increased contributions, as assessed by the scheme actuary.
- 4.32. Changes in the revenue related balances arose from a reduction in earmarked reserves of £11.8m and a decrease in schools balances of £3.9m.

Reserves and Balances

- 4.33. As reported to Council on 25 February 2009, the Director of Strategic Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. At that Budget Meeting, the Council was advised that the minimum level of the General Fund Balance, over the life of the Medium Term Financial Strategy (MTFS) to 2009/10, was £6m each year. The closing balance for 2008/09 of the General Fund was £6m.

Approval, signing, inspection and audit arrangements - the Accounts and Audit Regulations 2003 (amended 2006)

- 4.34. The Accounts and Audit Regulations 2003 (amended 2006) govern the approval process for the Accounts. They state that the Accounts "shall be signed by and dated by the person presiding at the Committee" at which they are approved (Regulation 10) and the Auditor will then decide the date from which he will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).
- 4.35. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2008/09. This will be considered at the Audit Committee meeting on 28 September 2009.

Annual Governance Statement

- 4.36. The Statement of Accounts includes the Annual Governance Statement. This document was approved by Audit Committee on 2nd June 2009.

Appendices

1. Key Lines of Enquiry – Financial Reporting.
2. Statement of Accounts 2008/09
3. Prudential Indicators for 2008/09
4. Your Peterborough article and consultation
5. Summary of Accounts 2007/08

5. CONSULTATION

- 5.1 Stakeholders were consulted on their views about the Council finances and, in particular, on the merits of publishing an annual report or summary accounts. This showed a clear demand for summary accounts and an annual report in a user friendly format. The 2007/08 summary accounts was provided on the website and is attached at Appendix 5. The consultation is currently being refreshed via a competition in Your Peterborough, see Appendix 6.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2003 (amended 2006) require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 10 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) on Local Authority Accounting and hence alternative options are limited.

9. IMPLICATIONS

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

Budgetary control reports through 2008-09
Council 25 February 2008: Medium Term Financial Strategy

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Extract from the Comprehensive Area Assessment - Use of Resources

[http://www.audit-](http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf)

[commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf](http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf)

Use of Resources Framework

Overall approach and key lines of enquiry

May 2008 (updated February 2009)



Appendix 1 – Themes and key lines of enquiry

Managing finances

How effectively does the organisation manage its finances to deliver value for money?

1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

KLOE focus

The organisation:

- integrates financial planning with strategic and service planning processes on a medium to long-term basis;
- engages local communities and other stakeholders in the financial planning process;
- manages spending within available resources and is financially sound over the medium term; and
- recognises individual and collective responsibilities for financial management and values and develops financial skills.

1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

KLOE focus

The organisation:

- understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance;
- takes account of this understanding of its costs and performance in decision making and commissioning; and
- identifies the scope for making efficiencies and is on track to achieve planned efficiencies.

1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

KLOE focus

The organisation:

- produces relevant, timely and reliable financial monitoring and forecasting information;
 - uses financial and related performance information to monitor performance during the year;
 - produces financial reports that are clear, relevant and concise to support strategic decision making;
 - prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position; and
 - publishes reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year.
-

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PETERBOROUGH



CITY COUNCIL

Statement of Accounts 2008/09

For further copies of this document or questions about it please contact:

The Head of Strategic Finance

Peterborough City Council

Manor Drive

Paston Parkway

Peterborough

PE4 7AJ

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Peterborough City Council

Statement of Accounts 2008/09

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Explanatory Foreword

1 Background

The Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2003 and The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP 2008).

2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2008/09. The core financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council's finances
- *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
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
- *Income and Expenditure Account* – reports the income and expenditure for all the Council's services in 2008/09, and demonstrates how that cost has been financed from general government grants and income from taxpayers
- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2009
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2009
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2008/09
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *Notes* and by the *Statement of Accounting Policies*. There is no longer a Housing Revenue Account statement as this account no longer exists.
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.

3 Revenue Expenditure

The Income and Expenditure Account on page 19 shows the gross revenue expenditure and income together with net expenditure for 2008/09 compared to the net expenditure for 2007/08. The Income and Expenditure Account is analysed by services as laid down in the Best Value Accounting Code of

Practice (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA).

The Council's organisational structure, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with BVACOP.

The Council monitors its spending against budget regularly throughout the year and reports projected variances to the Cabinet. These reports are based on the Council's organisational structure.

The table below compares the estimated net expenditure to the actual net expenditure based upon the Council's organisational structure. Figures in brackets indicate a favourable variance.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive	7,918	8,457	539
Assistant Chief Executive	9,679	9,608	(71)
Children's Services	46,135	46,120	(15)
City Services	12,218	12,965	747
Environment & Community Services	21,112	21,795	683
Strategic Resources	18,979	16,999	(1,980)
Adult Social Care	38,588	38,544	(44)
Total Council Expenditure	154,629	154,488	(141)
Transfers to earmarked reserves			141
Surplus / (Deficit) to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

The financing of the Revenue Expenditure was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	8,742
Government Grant (Area Based Grant)	9,444
Distribution from National Non Domestic Rates	62,796
Demand on the Collection Fund	56,846
Reserves	16,801
Total Financing	154,629

Budget managers receive detailed budgetary control information each month and most have access to online computerised systems. At departmental level, a monthly report on the budgetary control position for the relevant services is reviewed by each Departmental Management Team.

The Council under spent by £0.14m which was transferred to reserves.

Balances

At the 31 March 2009, the General Fund working balance of the Council stood at £6m, the same as at the end of 2007/08 in line with the Medium Term Financial Strategy recommendation.

The Schools balances totalled £5.6m at the 31 March 2009, compared to £9.5m at 31 March 2008.

4 Capital Expenditure

The main elements of capital expenditure, compared with the final budget after slippage, are shown below.

Capital Expenditure	Budget per MTF5 08-10	2008/09 Budget inc. slippage from 2007/08	Revised Budget at Feb. 09	Outturn
	£000	£000	£000	£000
Chief Executives	2	128	128	205
Assistant Chief Executives	14,073	17,864	6,720	5,204
Children's Services	22,692	32,508	26,854	21,600
City Services	1,233	2,305	2,468	2,405
Environment and Community Services	16,435	19,842	18,483	16,025
Strategic Resources	21,026	27,294	11,845	12,096
Adult Social Care	516	651	651	318
Total	75,977	100,592	67,149	57,853
Financed by:				
External Sources	21,681	31,520	34,782	34,334
Capital Receipts	43,428	43,428	5,387	6,548
Borrowing	10,868	25,644	26,980	16,971
Total	75,977	100,592	67,149	57,853

Total spending at £57.9m includes accruals of capital expenditure of £1.7m in accordance with proper accounting practices.

The Capital Expenditure was funded by a mixture of grants, contributions, capital receipts, borrowing and directly from revenue.

5 Collection Fund

The Collection Fund was established on 1 April 1990 under the legislation that introduced the Community Charge and National Non-Domestic Rates. The Community Charge was replaced by the Council Tax from 1 April 1993. The Council is the Billing Authority and collects precepts for Cambridgeshire Police Authority and Cambridgeshire Fire Authority.

A total of £58.7m was collectable during the year in respect of Council Tax, together with £82.4m in respect of National Non-Domestic Rates.

The surplus on the Collection Fund was £1.4m which is to be distributed between the Council, the Cambridgeshire Fire Authority and the Cambridgeshire Police Authority.

6 Pensions

The main statements include entries to show the financial position of the Council's share of the Cambridgeshire Pension Fund. This information has been compiled by the Fund's actuary in accordance with Financial Reporting Standard 17: Retirement Benefits (FRS17).

A change to the 2008 SORP means that derivatives and investments are required to be valued on a 'fair value' basis. Where there is an active market for investments, the bid price is usually the appropriate quoted market price. Prior to the 2008 SORP the mid-market price was used as the basis for valuing

investments. This change has resulted in the Pension liability increasing by £1.054m in the Council's accounts.

Based on the information supplied by the actuary in compliance with FRS 17, the calculated deficit on the Fund has increased significantly during 2008/09 from the £62.7m in 2007/08 to £92.0m. The change of £29.3m is largely the result of a change in the financial assumptions used by the actuaries in estimating the liabilities at 31 March 2009, compared to those used at 31 March 2008.

The Council's employer's contribution to the Fund was 15.2% in 2008/09. This percentage was reviewed as part of the triennial actuarial valuation in March 2007. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

7 External Borrowings & Investments

At 31 March 2009, the Council had net borrowings including cash and outstanding interest of £87.8m (£78.6m in 2007/08).

2007/08		2008/09
£000		£m
(141.3)	Borrowing*	(136.3)
62.7	Investments	48.5
(78.6)	Net Borrowing	(87.8)

*New borrowing was £2m, and £6.7m rescheduled (£25m in 2007/08)

8 Icelandic Banks

The Council had a total of £3m invested in two Icelandic owned banks which went into administration in October 2008. The investment has been impaired to make its value equal to that expected to be received from the administrators, which is 70p to 80p in the £ for Heritable Bank, and a minimum of 50p in the £ for Kaupthing Singer & Friedlander. Further details can be found in Notes 4 and 31.

9 Conclusion

The Statement of Accounts includes a great deal of information on the financial activities of the Council and provides a good insight into the workings of the Council.

The financial pressures facing the Council continue to be challenging, with the impact of the recession and credit crunch, along with service departments continuing to be under increasing resource pressure because of the increased demands on services for Children and Adults, as well as on concessionary fares.

The underlying financial health of the Council has again been maintained in the year. However, services will continue to face financial pressures from rising demand for services and from the need to meet key government targets. The Medium Term Financial Strategy 2008-2011 (MTFS) includes a challenging efficiency agenda. This is required in order to maintain a low Council Tax increase whilst ensuring that front line services receive an appropriate level of funding and that the Council can continue with its ambitious growth agenda. A three year settlement was announced in December 2007 which means that the Council has more certainty over levels of funding for the period of the MTFS than previously.

The financial position of the Council will be constantly monitored and corrective action taken to manage service demands within the resources available, where necessary.

I am extremely grateful to all the finance staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced.

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

John Harrison
Executive Director of Strategic Resources

Independent Auditors' Report to the Members of Peterborough City Council

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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 (the Chief Financial Officer) has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director of Strategic Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2009 was approved at the meeting of the Audit Committee on 29 June 2009.

Signed on behalf of Peterborough City Council:

Chairman of meeting approving the accounts: _____

Date: _____

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 of Practice').

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; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date; and
- 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 9 to 61 present fairly the financial position of the Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Executive Director of Strategic Resources _____

Date: _____

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year end 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP 2008). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accruals of Income and Expenditure

Revenue and capital transactions are treated on an accruals basis with income and expenditure accounted for in the period in which goods and services are provided / received, whether or not the cash has actually been received or paid.

A number of items are not accrued for, but the effect is not material, e.g. gas bills where four quarterly bills are included, and staff car allowances where twelve months' payments (one month in arrears) are included. In addition, unless where material, no accruals are entered in the accounts for alterations required to Council Tax / Business Rate Bills for the financial year, which have not been actioned in time for year end.

Contingent Liabilities

Contingent liabilities are not shown in the accounting statements, but are disclosed by way of notes where there is a possible obligation which may require a payment or a transfer of economic benefits. Details are shown in Note 50.

Government Grants and Contributions

Whatever the basis of payment, grants are recognised as income at the date that the Council satisfies the conditions of the entitlement to the grant / contribution, ie, that there is reasonable assurance that the monies will be received and the expenditure for when the grant has been given has been incurred. Revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council, for example, Revenue Support Grant are recognised at the foot of the Income and Expenditure Account, after Net Operating Expenditure for the period in respect of which they are payable.

Where Capital Grants and contributions are received that are identifiable to fixed assets with a finite useful life, once the asset is operational, the amounts are recognised in the Government Grants Deferred account. The balance is then written down to the relevant service area over the useful life of the asset to offset depreciation charges made for the related assets.

Grants and other contributions are accounted for on an accruals basis and are recognised in the accounting statements when the conditions for their receipt have been met and there is reasonable assurance that the grant or contribution will be received. Certain grants included in the accounts are subject to audit of the final claim.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that for most loans the amount presented in the Balance

Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

For three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Statement of the Movement on the General Fund Balance. The carrying amount in the Balance Sheet for all loans includes any outstanding payments or accruals at the end of the year. Previously, these accruals would have been shown within creditors.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. The carrying amount for the loan includes any interest due but not yet paid, which would previously have been shown as a debtor.

When the Council makes a loan to a voluntary organisation at less than market rates these are called soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are

maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The Council does not currently have any available for sale assets.

Intangible Fixed Assets

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

Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases and these form the majority of the Council's lease arrangements. Rentals payable are charged to the relevant service revenue account on a straight-line basis

over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council's leasing activities are detailed in Notes 0 and 39.

Council acting as the Lessor

Where the Council acts as lessor, annual rentals are included as revenue income within the accounts of the relevant service and all appropriate disclosures are made within the accounts in full compliance with SSAP21 "Accounting for Leases and Hire Purchase Contracts" and FRS5 "Reporting the Substance of Transactions".

Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the Best Value Accounting Code of Practice 2008 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

The treatment of Office Accommodation does not strictly comply with BVACOP. The final choice on the basis of location of staff, based on availability, department size etc is taken at a corporate level, outside the direct influence of departments. It is Council policy, therefore, that the costs of the three main office buildings be accumulated and charged to users at a uniform rate per square metre, regardless of actual location.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment.

The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on Council Tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

Reversionary Interests

Where control of certain land and buildings is passed over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interest), an assessment is made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset is created in the Council's Balance Sheet.

As the asset is stated initially at net present value, over the life of the scheme the discount is unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interest reverts to the Council.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including nil), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI credits

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Details are shown in Note 41.

Provision for Doubtful Debts

The Balance Sheet figure for Bad Debts is deducted from the total shown for Debtors. The amount of the provision is reviewed each year in the light of the debts which are outstanding, and an assessment is made of the likelihood of recovery based on the nature and age of the debt. Debts are not actually written off until all reasonable steps of recovery have failed and debt is deemed to be unrecoverable.

Reserves

The Council sets aside specific amounts as reserves for future purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions has been approved and further information is given in Note 0. Reserves include earmarked reserves set aside for specific policy purposes (e.g. school balances and insurance reserves), whilst the General Fund balance is held for cash flow purposes and as a contingency. Contributions to and from reserves are not shown in service areas, they are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Expenditure to be financed from reserves is charged to the appropriate service area in that year to score against the Net Cost of Service in the Income and Expenditure Account, and therefore still appears as part of the cost of the relevant service.

Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and they do not represent useable resources for the Council – these reserves are explained in the relevant policies below.

Retirement Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF)
- The Local Government Pensions Scheme, administered by Cambridgeshire County Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's service's revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices based on the indicative rate of return on a high quality corporate bond as identified by the actuary.
- The assets of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to

the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – recognised in the Income and Expenditure Account in Net Operating Expenditure line.
- gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Statement of Total Recognised Gains and Losses
- contributions paid to the Cambridgeshire Pension Fund – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional charges for retirement benefits and replace them with actual cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

Valuation of Derivatives and Investments

As per the revised Pension SORP, published in July 2007, derivatives are now valued on a fair value basis. Investments are also valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price; prior to the 2008 SORP the mid-market price was used as the basis for valuing investments.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Stocks and Work In Progress

Stock levels are reviewed during the course of the year and any obsolete items are written off. Stocks are included in the accounts at average cost price.

Work in progress is valued at the lower of cost or net realisable value and includes an allocation of overheads.

Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for a period of more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of the asset (eg. Repair and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, – lower of net current replacement cost or net realisable value in existing use
- vehicles, plant and equipment - historic cost less depreciation. Plant and machinery associated with buildings is included in the valuation of the buildings. The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period (e.g. obsolescence, physical damage), the valuation is adjusted accordingly.
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

All fixed assets are shown net of depreciation, the basis of which is set out in Note 21.

Foundation Schools, Voluntary Aided (VA) and Voluntary Controlled (VC) Schools are not shown on the Council's Balance Sheet. Some elements of the VA and VC schools land is still owned by the Council and is shown on the Balance Sheet.

There is a de minimis capital limit of £10,000 (£2,000 for schools). Where an asset's value is less than the de minimis limit the value will be reduced to zero on the asset register.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified, as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are recognised in the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation

Depreciation is provided for on all fixed assets, except land and non-operational investment properties which are not depreciated, unless there is a lease held on the property of 20 years or less.

Depreciation is charged on a Straight Line Basis over the life of the asset, which is determined at the time of acquisition or revaluation

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service areas, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The provision is calculated on a prudent basis and in accordance with the Council's Minimum Revenue Provision Policy. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08			2008/09	
Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000
				Net Expenditure £000
	Service Expenditure			
2,031	Central Services to the Public		4,360	(1,466)
247	Court Services		283	-
41,951	Cultural, Environmental, Regulatory & Planning Services	1	61,198	(16,824)
71,903	Children's & Education Services	2	223,294	(162,369)
17,670	Highways, Roads & Transport Services		22,211	(7,510)
2,215	Housing Services	5	71,651	(68,992)
34,470	Adult Social Care	3	47,110	(8,274)
-	Exceptional costs – Icelandic Banks	4	1,516	-
2,167	Corporate & Democratic Core	6, 7	8,473	(5,120)
18,204	Non Distributed Costs		7,280	(298)
190,858	Net Cost of Services		447,376	(270,853)
	Other Operating Costs			
(455)	Loss / (Gain) on disposal of fixed assets		1,767	(3,925)
(3,094)	Gain on Right to Buy Receipts		-	(1,278)
268	Parish Council Precepts		287	-
489	Drainage & Flood Levies		515	-
5,152	Deficit / (Surplus) on Trading Undertakings	5, 8	19,131	(8,498)
6,163	Interest Payable & Similar Charges		6,117	-
20	Contribution of Housing Capital Receipts to Government Pool		5	-
(3,948)	Interest and Investment Income		-	(3,691)
661	Pension Interest & Expected Return on Assets	9	3,969	-
196,114	Net Operating Expenditure		479,167	(288,245)
	Sources of Finance			
(12,013)	General Government Grants	10		(19,451)
(55,183)	Distribution from national non-domestic rates			(62,796)
(56,026)	Demand on Collection Fund			(56,846)
72,892	Total: Deficit / (Surplus) for the year			51,829

Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £000		Note	2008/09 £000
72,892	(Surplus) / Deficit on the Income & Expenditure Account for the year		51,829
<u>(73,958)</u>	Net contribution to / from the General Fund Balance for the year	16	<u>(47,921)</u>
<u>(1,066)</u>	(Increase) / Decrease in General Fund Balance for the Year		<u>3,908</u>
<u>(14,420)</u>	General Fund Balance brought forward		<u>(15,486)</u>
<u>(15,486)</u>	General Fund Balance carried forward		<u>(11,578)</u>
9,486	Amount of General Fund Balance held by Governors under schemes to finance schools	17	5,578
6,000	Amount of General Fund Balance generally available for new expenditure		6,000
<u>15,486</u>			<u>11,578</u>

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08 £000	Note	2008/09 £000
72,892		51,829
Deficit on the Income & Expenditure Account for the year		
(51,002)		(22,579)
(Surplus) / Deficit arising from revaluation of fixed assets		
(33,903)	9	25,423
Actuarial (gains) / losses on pension fund assets & liabilities		
930		(1,182)
Decrease / (Increase) in Collection Fund Balance		
7,473		-
Writing out of unidentified assets		
<u>(3,610)</u>		<u>53,491</u>
Total recognised (gains) / losses for the year		

Balance Sheet

31 March 2008			Notes	31 March 2009	
£000	£000			£000	£000
1,673	1,673	Intangible Fixed Assets	18	1,939	1,939
		Tangible Fixed Assets	19-27		
		<i>Operational Assets</i>			
211,608		Other Land and Buildings		219,571	
12,655		Vehicles, Plant and Equipment		13,402	
87,209		Infrastructure Assets		96,765	
2,631		Community Assets		2,836	
		<i>Non-operational Assets</i>			
51,415		Investment Properties		55,819	
15,222		Surplus Assets		10,398	
11,233	391,973	Assets under Construction		9,453	408,244
	393,646				410,183
		Other Long Term Assets			
8,326		Long-Term Investments	28	7,205	
3,836		Long-Term Debtors	28	2,135	
28,477	40,639	PFI Deferred Consideration	32	29,305	38,645
	434,285				448,828
		Current Assets			
581		Stocks and Work in Progress	34	555	
53,714		Debtors	35	37,366	
54,331		Short Term Investments	28	41,290	
-	108,626	Cash and Bank	28	1,333	80,544
	542,911				529,372
		Current Liabilities			
(25,546)		Short Term Borrowing	28	(18,345)	
(71,484)		Creditors	36	(78,289)	
(4,079)	(101,109)	Cash & Bank	28	-	(96,634)
	441,802	Total Assets Less Current Liabilities			432,738
(115,778)		Long Term Borrowing	28	(117,939)	
(1,072)		Long Term Liability	37	(1,035)	
(62,709)		Pension Fund Assets	9	(92,007)	
(75,549)		Grants and Contributions Deferred	40	(87,994)	
(1,657)	(256,765)	Provisions	41	(2,217)	(301,192)
	185,037	Total Assets less Liabilities			131,546
	44,981	Revaluation Reserve	42		66,378
	164,050	Capital Adjustment Account	43		134,311
	10	Usable Capital Receipts	44		-
	600	Deferred Capital Receipts	45		595
	(524)	Financial Instrument Adjustment Account	46		(1,855)
	23,137	Specific Reserves	47		11,358
	(62,709)	Pension Fund Reserve	9		(92,007)
	9,486	School Balances	17		5,578
	6,000	General Fund Balance			6,000
	6	Collection Fund Balance			1,188
	185,037	Total Net Worth			131,546

Cash Flow Statement

This accounting statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes in respect of the Council as a whole. It therefore excludes internal transfers between accounts for items such as recharges between departments. See Note 48 for details.

2007/08			2008/09	
£000	£000		£000	£000
		Revenue Activities		
		Cash Outflows:		
177,665		Employees	185,101	
10,937		Major Precepts	11,460	
250,922		Other Operating Costs	234,131	
75,826		NNDR Pool Payment	80,285	
48		Capital Receipts Pooling	5	
45,519	560,917	Housing Benefit Paid	48,241	559,223
		Cash Inflows:		
(4,804)		Rents	(4,824)	
(56,921)		Council Tax Income	(57,950)	
(55,183)		Non Domestic Rate Income from Pool	(62,796)	
(9,261)		Revenue Support Grant	(8,742)	
(53,891)		DWP Grants for Rebates	(61,144)	
(173,707)		Other Government Grants	(188,581)	
(37,576)		Cash for Goods and Services	(33,839)	
(69,752)		NNDR Income	(79,399)	
(87,024)	(548,119)	Other Operating Cash Receipts	(76,224)	(573,499)
	12,798	Net Revenue Activities		(14,276)
		Servicing of Finance		
		Cash Outflows:		
5,426		Interest Paid	6,143	
2		Interest on Finance Leases	1	
(3,675)		Cash Inflows:		
		Interest Received	(4,065)	
	1,753	Net Servicing of Finance		2,079
		Capital Activities		
		Cash Outflows:		
50,458		Purchase of Fixed Assets	40,405	
17,574		Other Capital Cash Payments	16,748	
2,863		Long Term Investments	-	
(11,655)		Cash Inflows:		
(6,054)		Sale of Fixed Assets	(7,749)	
(34,869)		Other Capital Cash Receipts	(948)	
		Capital Grants Received	(33,900)	
	18,317	Net Capital Activities		14,556
	32,868	Net Cash (Inflow) / Outflow before Financing		2,359
		Management of Liquid Resources		
(2,250)		Net increase in Short Term Deposits	(11,893)	
3,000		Net increase in Long Term Deposits	(1,018)	
		Financing		
		Cash Outflows:		
-		Repayment of Amounts Borrowed	13,885	
11		Capital Element of Finance Leases	12	
(25,000)	(24,239)	Cash Inflows:		
		New Loans Raised	(8,757)	(7,771)
	8,629	Decrease / (Increase) in Cash		(5,412)

Notes to the Core Financial Statements

1 The Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

This income and expenditure is shown within Cultural, Environmental and Planning Services line on the Income and Expenditure Account.

2007/08			Service	2008/09		
Chargeable	Non-Chargeable	Total		Chargeable	Non-Chargeable	Total
£000	£000	£000	Expenditure:	£000	£000	£000
304	149	453	Employees	270	165	435
19	10	29	Premises	18	11	29
23	3	26	Transport	19	2	21
30	14	44	Supplies / Services	32	21	53
69	24	93	Support Costs	67	24	91
445	200	645	Total Expenditure	406	223	629
(431)	(37)	(468)	Income	(386)	(28)	(414)
14	163	177	Deficit	20	195	215

2 Dedicated Schools Grant (DSG)

From 2006/07, the arrangements for government support for the funding of schools changed. Funding for Schools related activities was transferred away from Local Authorities and directed into a specific grant from the Department for Children, Schools and Facilities (DCSF) known as the Dedicated Schools Grant (DSG). This grant has been recognised against the Children's & Education Services line in the Income and Expenditure Account.

In 2008/09, the Council received a DSG allocation of £108,744,000. Details of the deployment of DSG receivable for 2008/09 are shown on the table overleaf.

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

The Central Expenditure overspend of £6k has been carried forward to 2009/10 and will be the first call on the DSG in 2009/10. The Individual Schools Budget element is carried forward as part of individual schools balances.

2007/08		2008/09		
Total	Schools Budget Funded by Dedicated Schools Grant	Central Budget	Individual Schools Budget	Total
£000		£000	£000	£000
(106,402)	Original grant allocated to Schools Budget for the current year in the Council's budget	(13,870)	(94,874)	(108,744)
(106,402)	DSG receivable for the year	(13,870)	(94,874)	(108,744)
104,241	Actual expenditure for the year	14,000	98,782	112,782
(2,161)	Over / (Under)spend for the year	130	3,908	4,038
750	Use of Schools Reserves	-	-	-
1,026	Use of closed school reserves	-	-	-
(385)	Over / (Under)spend carried forward	130	3,908	4,038
(9,225)	Balances carried forward	(124)	(9,486)	(9,610)
(9,610)	Total balances carried forward	6	(5,578)	(5,572)

3 Pooled Funds & Similar Arrangements

From 1 April 2004, the Council formed a partnership under Section 31 of the Health Act 1999 (superseded by Section 75 of the National Health Service Act 2006) whereby the Council has pooled its budget for Adult Social Care (ASC) with the North and South Peterborough Primary Care Trusts (now merged to form Peterborough Primary Care Trust (PPCT)).

The purpose of the Partnership is to provide a robust framework within which the PPCT is the lead commissioner and integrated provider of Health Services and Social care services for adults in Peterborough. An annual agreement is produced which sets out the Council's contribution to the Pool, the level of performance that the PPCT aims to deliver across a range of ASC performance indicators and key service developments that the PPCT will take forward that are either wholly, or partly, ASC.

The Council's contributions are shown within the Adult Social Care line in the Income and Expenditure Account on page 19. The memorandum account on the following page shows total expenditure and income for the pooled fund.

2007/08		2008/09
£000	Gross Funding	£000
(168,157)	Peterborough PCT	(185,445)
(32,123)	Peterborough City Council Pool Contribution	(36,899)
(4,801)	Peterborough City Council - Grants	(3,136)
(4,284)	Income from other Organisations	(2)
(209,365)	Total Gross Funding	(225,482)
134,354	NHS Commissioning	139,370
67,189	Provision of Services	68,438
10,896	Corporate Services	15,275
1,212	Public Health	1,470
213,651	Total Expenditure	224,553
4,286	Actual Over / (Under) spending	(929)
(4,286)	Overspending met by PPCT non Pooled Slippage	-

4 Exceptional Costs – Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £3m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate	Carrying Amount £000	Impairment £000
Heritable Bank	02/04/07	02/04/09	1,000	6.07%	1,061	326
Kaupthing Singer & Friedlander Ltd	03/04/07	03/04/09	2,000	5.90%	2,117	1,190
Total			3,000		3,178	1,516

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2007/08 £000	Cash Received 2007/08 £000	Credited 2008/09 £000	Cash Received 2008/09 £000
Heritable Bank	61	-	61	61
Kaupthing Singer & Friedlander Ltd	118	-	118	118
Total	179	-	179	179

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, and guidance from CIPFA, the Council has applied an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2012, with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has, therefore, recognised an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore, in calculating the impairment, the Council has made the following assumptions regarding the timing of recoveries:

- July 2009 – 15%
- July 2010 – 30%
- July 2011 – 15%
- July 2012 – 10%
- July 2013 – 10%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The first dividend payment of 10p in the £ minimum is due in the summer of 2009. The Council has recognised an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

In calculating the impairment the Council has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008.

Impairment Loss

The calculated impairment loss recognised in the Income and Expenditure Account in 2008/09 is £1.516m and has been treated as an exceptional item. It has been derived by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1.337m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.178m relates to interest which has been borne in full by the General Fund.

5 Provision for Bad Debt & Doubtful Debts

Housing Services and Trading Undertakings lines in the Income and Expenditure Statement include the increases to the general bad debt provision of £200,000 and £150,000 respectively (Corporate & Democratic Core, £154,000 increase in 2007/08).

6 Members' Allowances

Under the Local Authorities (Members' Allowances) (Amendment) Regulations 2003 the Council has to publish within its area the total sums paid to each member of the Council. The total value paid in 2008/09 was £627,814 (£600,668 in 2007/08).

7 Audit and Inspection Fees

The following fees were payable arising from the 2008/09 accounts. The inspection fees were payable to the Audit Commission and the audit fees payable to PricewaterhouseCoopers.

2007/08 £000		2008/09 £000
324	Fees payable with regard to external audit services carried out by the appointed auditor	288
51	Fees payable in respect of statutory inspection	25
80	Fees payable for the certification of grant claims and returns *	70
26	Fees payable in respect of other services provided by the appointed auditor **	-
481	Total	383

* The 2007/08 figure stated for Fees payable in relation to the certification of grant claims and returns was estimated. The actual figure was £70,000.

** The other fees payable were in respect of business process mapping and whole of government accounts.

8 Trading Operations

Financial results were:

2007/08 Deficit/ (Surplus) Restated £000		2008/09 Expenditure £000	Income £000	Deficit /(Surplus) £000
	Properties:			
(1,524)	Industrial	885	(2,153)	(1,268)
(1,491)	Commercial	697	(1,532)	(835)
(134)	Market	368	(466)	(98)
(3,149)	Total for Properties	1,950	(4,151)	(2,201)
	City Services			
(124)	Building Cleaning	915	(956)	(41)
280	Building Maintenance	5,101	(4,986)	115
142	Catering	1,887	(1,584)	303
(63)	Grounds Maintenance	2,752	(2,971)	(219)
47	Refuse Collection	3,697	(3,586)	111
123	Street Cleaning	2,819	(3,145)	(326)
(88)	Vehicle Maintenance	1,017	(1,041)	(24)
2,126	Other	8,399	(5,339)	3,060
-	Inter Departmental Adjustment	(20,385)	20,385	0
2,443	Total for City Services	6,202	(3,223)	2,979
-	Total for Other Traded Services	987	(1,124)	(137)
(706)	Sub Total	9,139	(8,498)	641
5,858	Capital Charges Adjustment	9,992	-	9,992
5,152	Total	19,131	(8,498)	10,633

In addition to the Market, the Council owns 206 shops, commercial and industrial units throughout the City. Following the introduction of the Best Value regime the requirements to produce accounts under the previous Compulsory Competitive Tendering (CCT) were reviewed. The City Services department, formerly Contract Services, remains the trading arm of the Council and the contracts awarded were

based upon competitive tender with the private sector and as such are included in the previous table. The figures include a final adjustment for inter departmental work which is necessary to avoid double counting within the Income and Expenditure Account.

9 Retirement Benefits Local Government Pension Scheme

Participation in Pension Schemes

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The Council participates in two formal schemes, the Local Government Pension Scheme, a defined benefits scheme, and the Teachers' Scheme. The Council is not required to record information relating to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Teachers' Pension Agency.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been restated from £210.7m to £209.7m, a decrease of £1m, resulting in an increase of the pension deficit of £1m (31 March 2008 decrease of £29.6m). Current and prior year surplus have been unaffected by this change.

Local Government Pension Scheme

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on General Fund Balance during the year:

2007/08 £000		2008/09 £000
	Income and Expenditure Account	
	Net Cost of Services:	
12,877	Current Service Cost	9,379
34	Past Service Costs	2,779
440	Curtailment and settlement	1,342
	Net Operating Expenditure:	
(17,572)	Expected Return on Employer Assets	(15,138)
18,233	Interest on Pension Scheme Liabilities	19,107
14,012	Net Charge to the Income and Expenditure Account	17,469
	Statement of Movement in the General Fund Balance	
(14,012)	Reversal of net charges made for retirement benefits in accordance with FRS17	(17,469)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
11,838	Employers' contributions payable to scheme	13,594

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £25.4m (gain of £33.9m 2007/08) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2008		31 March 2009
£000	Reconciliation of Present Value of Scheme Liabilities	£000
332,633	Opening Liability at 1st April	271,800
12,877	Current Service Cost	9,379
18,233	Interest Cost	19,107
4,283	Contributions by Scheme Participants	4,807
(90,150)	Actuarial (Gains) / Losses	(31,692)
-	- Actuarial Loss relating to bid-price adjustment	1,054
440	Losses on Curtailments	1,342
34	Past Service Costs	2,779
(6,550)	Benefits Paid	(6,984)
271,800	Closing Liability at 31st March	271,592

31 March 2008		31 March 2009
£000	Reconciliation of the Fair Value of the Scheme Assets	£000
238,047	Opening Value at 1st April	209,091
17,572	Expected Rate of Return on Assets	15,138
(56,099)	Actuarial Gains / (Losses)	(56,061)
11,838	Employer Contributions	13,594
4,283	Contributions by Scheme Participants	4,807
(6,550)	Benefits Paid	(6,984)
209,091	Closing Fair Value of Scheme Assets at 31st March	179,585

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

Scheme History

	← 2004/05	2005/06	2006/07	2007/08 →	2008/09
	<i>As Restated</i>				
	£000	£000	£000	£000	£000
Fair Value of Assets in the Scheme	168,041	214,040	238,047	209,091	179,585
Present Value of Liabilities	(263,172)	(326,555)	(333,687)	(272,854)	(271,592)
Surplus/(Deficit) in scheme	(95,131)	(112,515)	(95,640)	(63,763)	(92,007)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £92m has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £397,826.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £12.5m.

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, the independent actuaries to the Pension Fund.

The principal assumptions used by the actuary have been:

31 March 2008		31 March 2009
	Long-term expected rate of return on assets in the scheme	
7.7%	Equity Investments	7.0%
5.7%	Bonds	5.6%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
19.6 years	Men	19.6 years
22.5 years	Women	22.5 years
	Longevity at 65 for Future Pensioners:	
20.7 years	Men	20.7 years
23.6 years	Women	23.6 years
	Financial Assumptions	
3.6%	Rate of inflation / Pension increase rate	3.1%
5.1%	Rate of increase in salaries	4.6%
7.0%	Expected return on assets	6.3%
6.9%	Rate for discounting scheme liabilities	6.9%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2008		Long Term Return	31 March 2009
%		%	%
70	Equity investments	7.0	64
13	Bonds	5.6	17
12	Property	4.9	10
5	Cash	4.0	9
100	Total		100

History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
	←	<i>As Restated</i>	→		
	%	%	%	%	%
Differences between expected and actual return on assets	5.29	14.08	0.94	(26.75)	(31.15)
Experience Gains and Losses	(7.27)	(0.07)	0.14	12.98	0.16

Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teacher's Pensions. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09 the Council paid £7.6m, representing 14.1% of Teachers' pensionable pay, in respect of teachers' pensions to the Teachers' Pension Agency who manage the Teachers' Pension Fund on a national basis, (£7.6m and 14.1% for 2007/08).

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for all pension payments relating to added years benefits it has awarded on a discretionary basis to former employees together with the related annual increases. In 2008/09 these amounted to £0.3m for teachers, representing 0.5% of teachers' pensionable pay.

10 General Government Grants

The Council receives a number of grants that contribute the General Government Grants line in the Sources of Finance section in the Income and Expenditure Account. The following table shows the breakdown of grants and the associated values.

Area Based Grant increased local authorities' flexibility over the use of their mainstream resources, by nationally moving over £4bn of grants into the new non-ring fenced Area Based Grant (ABG). This general grant is allocated according to specific policy criteria rather than general formulae. Councils are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

2007/08		2008/09
£000		£000
9,261	Revenue Support Grant	8,742
2,298	Local Authority Business Growth Incentive Grant	785
454	Local Public Service Agreements	424
-	Area Based Grant	9,500
12,013	Total	19,451

11 Expenditure on Publicity

Publicity is defined under Section 5(1) of the Local Government Act 1986 as "any communication in whatever form addressed to the public at large or to a section of the public". Set out below, under the requirements of this Act, is the Council's net spending on publicity.

2007/08		2008/09
£000		£000
269	Recruitment advertising	298
307	Other advertising	227
1,112	Other publicity	1,152
1,688	Total	1,677

12 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During the course of the year, the Council provided professional services to the following bodies under the Local Authority (Goods and Services) Act 1970:

2007/08 Restated £000		2008/09 £000
263	Axiom Housing Association	280
166	Minster General Housing Association	218
27	Wherry Housing Association	34
842	Peterborough Primary Care Trust	725
68	Anglian Support Partnership	40
31	Luton Borough Council	605
86	Rutland County Council	90
-	Calderdale Council	367
-	London Borough of Havering	115
-	Bradford City Council	38
6,468	Cross Keys Homes	2,648
7,951	Total	5,160

13 Senior Employees' Remuneration

The number of employees whose remuneration, including lump sum retirement payments, was £50,000 or more in bands of £10,000 are shown in the table below. The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds.

The number of employees in the lower band ranges has increased between years largely as a result of additional payments in the year resulting from the Job Evaluation process and redundancy agreements. These two factors have significantly affected the comparability of data between years.

The employee marked with a *, for 2007/08, was one employee of several who were in receipt of lump sum redundancy payments.

2007/08 No. of Employees		2008/09 No. of Employees
75	£50,000 - £59,999	134
22	£60,000 - £69,999	38
15	£70,000 - £79,999	22
6	£80,000 - £89,999	15
5	£90,000 - £99,999	4
1	£100,000 - £109,999	3
3	£110,000 - £119,999	1
1	£120,000 - £129,999	2
1	£130,000 - £139,999	-
1	£160,000 - £169,999	-
1*	£170,000 - £179,999	2

14 Interest in Companies

Peterborough Urban Regeneration Company

The registered name of the company is Peterborough Urban Regeneration Company Limited, known as Opportunity Peterborough, and the Company has

been set up in conjunction with English Partnerships and the East of England Development Agency.

The Company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this (£250,000 in 2008/09) along with the costs of seconded staff (£84,000), and funding for specific projects (£173,750) are included within the Council’s Net Cost of Services.

No shares are held by the participating organisations to this company and the Council’s appointees have only one of the ten voting rights.

The net assets of the Company at 31 March 2009 are £466,900 (31 March 2008 £206,800), and the Company made a net surplus of £260,200 in 2008/09 (2007/08, deficit of £291,900). As there are no shares in the Company, no dividend is payable to the Council.

In the event of the Company being wound up, the Council’s liability is limited to £1 and the Council has no rights to any share of its assets.

15 Related Party Transactions

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.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of cash transactions with government departments are set out in Note 48 to the Accounts.

Members of the Council have direct control over the Council’s financial and operating policies. Members have been consulted over potential related parties and there are no material transactions which require disclosure.

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise, but these have not been identified separately. One member is the chairman of the Peterborough Primary Care Trust Board.

There are no further material related party transactions which are not reported elsewhere in the accounts.

16 Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance.

2007/08		2008/09	
£000		£000	£000
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
(617)	Amortisation of intangible fixed assets	(943)	
(67,708)	Depreciation and impairment of fixed assets	(43,575)	
10,547	Amortisation of Government Grants Deferred	21,502	
(17,574)	Revenue expenditure funded from Capital under Statute	(17,139)	
231	PFI adjustments	(1,304)	
3,587	Net gain on sale of fixed asset	4,736	
	Differences between amounts debited / credited to the Income & Expenditure Account and amounts payable / receivable relating to stepped loans	6	
(524)			
-	Icelandic Investments Adjustment	(1,337)	
(14,012)	Net charges for retirement benefits in accordance with FRS 17	(17,469)	(55,523)
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
4,833	Minimum Revenue Provision for capital financing	5,363	
(3,349)	Capitalisation Direction	-	
1,143	Capital expenditure charged in year to the General Fund Balance	429	
	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(5)	
(20)	Employer's Contributions payable to the Cambridgeshire Pension Fund		
11,838		13,594	19,381
Transfers to / from the General Fund Balance			
(2,333)	Net transfer to or from earmarked reserves	(11,779)	(11,779)
(73,958)	Net contribution to / from the General Fund Balance for the year		(47,921)

17 Reserves and Balances held by Schools under Delegated Schemes

Under the School Financing and Framework Act 1998, the Council is required to ring-fence School Balances. Any budget surpluses and deficits are carried forward in their entirety. The table below summarises the balances carried forward for all schools.

No.	2007/08 £000	All Schools Balances	No.	2008/09 £000	Change £000
1	89	Nursery	1	132	43
57	5,774	Primary	57	3,705	(2,069)
10	3,231	Secondary	10	1,493	(1,738)
4	392	Special	4	248	(144)
72	9,486	Total School Balances	72	5,578	(3,908)

Schools with deficit School Balances at the end of the financial year are required to agree an action plan to bring their School budget into balance. During 2008/09, the number of Schools with deficit balances increased from 3 to 4 as summarised below:

No.	2007/08 £000	Schools with Deficit Balances	No.	2008/09 £000	Change £000
-	-	Nursery	-	-	-
2	29	Primary	1	6	(23)
1	28	Secondary	2	398	370
-	-	Special	1	9	9
3	57	Total	4	413	356

The overall movement on balances can be further broken down into Schools who have contributed to their balances between 2007/08 and 2008/09 and those who have utilised their balances in year. These are summarised below:

School	Schools with an increased balance		Schools with a reduced balance	
	No.	£000	No.	£000
Nursery	1	43	-	-
Primary	12	315	45	(2,384)
Secondary	3	196	7	(1,934)
Special	1	12	3	(156)
Total	17	566	55	(4,474)

18 Intangible Fixed Assets

The table below details the movement in intangible assets.

2007/08 £000	Software	2008/09 £000
1,774	Balance at 1 April	1,673
(50)	Adjustment for unidentifiable asset	-
566	Expenditure in year	805
-	Previous Asset Under Construction completed in year	404
(617)	Charged to revenue in year	(943)
1,673	Balance as at 31 March	1,939

19 Analysis of Tangible Fixed Assets

The following table analyses the Tangible Fixed Assets of the Council.

2007/08	Operational Assets					Non-Operational Assets				
	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Total	Investment Assets	Surplus Assets	Assets under Construction	Total	Total Assets 2008/09
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
445,930	234,716	26,328	116,080	2,639	379,763	51,656	15,295	11,233	77,870	391,973
(52,770)	(23,107)	(13,673)	(28,871)	(8)	(65,659)	(241)	(73)	-	(314)	(65,973)
(8,435)	-	64	-	-	64	-	(64)	-	(64)	-
384,725	211,609	12,719	87,209	2,631	314,168	51,415	15,158	11,233	77,806	391,974
	Movement in 2008/09									
-	4,211	621	1,671	22	6,525	-	105	(7,034)	(6,929)	(404)
44,926	14,794	4,475	13,643	147	33,059	943	181	5,426	6,550	39,609
(20,973)	-	-	-	-	-	-	(1,767)	-	(1,767)	(1,767)
-	(2,027)	-	-	2,431	404	(204)	(200)	-	(404)	-
42,901	11,067	-	-	72	11,139	14,019	394	-	14,413	25,552
8,102	4,598	-	-	-	4,598	-	34	-	34	4,632
-	(6,786)	-	-	-	(6,786)	(803)	(15)	-	(818)	(7,604)
-	-	-	-	-	-	-	-	(172)	(172)	(172)
(14,431)	(5,429)	(4,413)	(5,758)	-	(15,600)	(221)	(53)	-	(274)	(15,874)
(53,277)	(12,466)	-	-	(2,467)	(14,933)	(9,330)	(3,439)	-	(12,769)	(27,702)
391,973	219,571	13,402	96,765	2,836	332,574	55,819	10,398	9,453	75,669	408,244
	Net Book Value of assets at 31 March 2009									

20 Valuation Information

The Council has a rolling 5 year programme for the revaluation of fixed assets. The valuations in 2008/09 were carried out by Wilks Head & Eve and totalled £88,035,897. The basis for valuation is set out in the statement of accounting policies.

In addition to the rolling 5 year programme, Wilks Head & Eve were also commissioned to assess the whole of the Council's property portfolio to consider the impact of the current economic climate on the valuations held for the Council's properties. The report recommended a reduction in the value of £2,444,254 to the council's property portfolio.

21 Depreciation Methodologies

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. Non-operational investment properties are not depreciated (SSAP 19 applies) except where there is a lease of 20 years or less held on the property. For those assets subject to revaluation, the useful economic life is based on the valuer's assessment. For the main categories of asset the standard useful lives, used for depreciation purposes, are as follows.

Category of Asset	Useful Economic Life
Land & Buildings	
Council Offices	35 years
Car Parks	35 / 999 years
Cemeteries	30 / 35 years
Crematorium	30 years
Community Centres	35 / 40 / 60 years
Public Conveniences	30 / 35 / 40 years
Libraries	30 / 35 years
Schools	30 / 35 / 40 / 60 years
Recycling facilities	35 years
Markets	35 years
Investment Assets	
Investment Assets	4 / 10 / 35 / 40 / 60 / 999 years
Vehicles, Plant & Equipment	
Computers	5 / 10 years
Equipment	5 / 10 / 15 years
Plant	5 / 10 years
Vehicles	5 years
Infrastructure Assets	
Roads and Bridges	20 years

22 Information on Assets Held

Major assets held were:

2008	Assets Held	2009
	Operational Assets	
	Land & Buildings	
2	Town Hall and Bridge House Offices	2
1	Bayard Place	1
1	Peterscourt	1
1	Central Depot	1
7	Sub Depots	7
38	Area / Sub Offices	38
1	Key Theatre	1
16	Car Parks	16
1	Crematorium	1
16	Public Conveniences	16
3	Swimming Pools	3
1	Priestgate Museum and Art Gallery	1
3	Materials Recycling Facility, Composting & Refuse Disposal facilities	4
1	CCTV Control Centre	1
9	Central Library and 8 Branch Libraries	9
51	Schools (excludes Foundation, VC & VA schools)	49
4	Further Education Establishments	4
20	Smallholdings	20
17	Social Services Premises	17
42	Community Centres	41
1	St Barnabas Church	1
24	Play Centres	24
1	Peterborough Arts Centre	1
	Community Assets	
861	Acres of landscaping	1,004
1,248	Acres of parks (See note below)	1,340
130	Acres of allotments	130
5	Community Grounds	5
5	Cemeteries	5
	Infrastructure Assets	
888	Kilometres of roads	888
	Non-Operational Assets	
	Investment Properties – Commercial and Industrial	
1	General Market	1
1	Food Hall Market	1
206	Shops, commercial and industrial units	206
1	New England Complex	1
379	Acres of land for future development	396

Note: Parks include the Nene Park covering approximately 1,063 acres, which was transferred on a 999-year lease to the Nene Park Trust in September 1988 with the Council holding the freehold. The Council nominates three members to the Trust's Management Board.

23 Foundation Schools, Voluntary Aided and Voluntary Controlled Schools

The School Standards and Framework Act 1998 changed the status of Grant maintained schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of balances for current assets and liabilities controlled by Foundation Schools in the Balance Sheet. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation schools and therefore values and amounts have not been consolidated in the Balance Sheet. In this Council area, there are 6 Foundation schools. There are 9 Voluntary Aided (VA) schools and 6 Voluntary Controlled (VC) schools which have the same financial status as Foundation schools and have been treated in the same way.

24 Financing of Capital Items

2007/08 £000		2008/09 £000
110,651	Opening Capital Financing Requirement	134,255
	Capital Investment	
566	Intangible Assets	805
31,420	Operational Assets	33,059
13,506	Non-Operational Assets	6,550
-	Deferred Consideration	472
30,640	Revenue Expenditure Funded from Capital under Statute	16,967
3,349	Capitalisation Direction	-
150	Loans to Third Parties	-
	Sources of Finance	
(10,624)	Capital Receipts	(6,548)
(39,427)	Capital Grants & Contributions	(33,905)
(5,976)	Sums set aside from revenue (inc.direct revenue financing and MRP)	(5,792)
-	Capital receipts set aside to repay debt	-
<u>134,255</u>	Closing Capital Financing Requirement	<u>145,863</u>
	Explanation of movements in year	
	Increase in underlying need to borrow	
4,331	Supported borrowing	7,829
24,106	Unsupported / Prudential borrowing	9,142
	Decrease in underlying need to borrow:	
(4,833)	MRP	(5,363)
-	Capital receipts set aside to repay debt	-
<u>23,604</u>	Increase in Capital Financing Requirement	<u>11,608</u>

The Council has determined a deminimis level for capital expenditure at £10,000. Any item costing less than this amount can be charged to service areas.

25 Commitments under Capital Contracts

The Council has a three year Capital programme, of which £2.6m was contractually committed at 31 March 2009.

Description of Contract	Value of contract £000	Value outstanding at 31/3/09 £000
Roads & Bridges	837	457
Heltwate Extension	893	721
Library Software	235	235
Riverside Community Centre	797	595
Affordable Housing Grants	1,440	570
Total	4,202	2,578

26 Undischarged Obligations arising from Long Term Contracts

Under the secondary schools PFI contract, signed on 31 July 2006, the Council is committed to making payments estimated at £269m over the period of the contract. The contract expires in August 2037. The Council will also receive £144m in PFI grant from the Government over the same period towards these costs. See Note 32 for further information.

27 Capital Grants Applied

The Table below shows grants and contributions used to finance capital expenditure.

2007/08 £000	Grants Applied	2008/09 £000
19,622	Department for Communities & Local Government	9,661
179	Department for the Environment, Food and Rural Affairs	21
9,107	Department for Children, Schools and Families	14,151
2,893	Department for Transport	3,922
286	Department of Health	133
189	East of England Development Agency	1,820
1,560	Government Offices (East of England)	-
1,886	Various	392
35,722	Total Grants applied	30,100
111	S106	781
122	Padholme Road Drainage	378
2,750	Corn Exchange	-
722	Other	2,646
3,705	Total Contributions applied	3,805
39,427	Total Grants & Contributions applied	33,905

28 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories:

31 March 2008			31 March 2009	
£000	£000		£000	£000
Short Term	Long Term		Short Term	Long Term
(4,079)	-	Borrowing	-	-
(52)	-	Cash	(7,292)	-
-	(1,072)	Trade Creditors	-	(1,035)
(25,546)	(115,778)	Long Term Liabilities	(18,345)	(117,939)
(29,677)	(116,850)	Borrowing	(25,637)	(118,974)
		Total Borrowings		
		Loans and Receivables		
-	-	Cash	1,333	-
6,162	-	Trade Debtors	7,479	-
54,331	8,326	Investments and Debenture	41,290	7,205
-	3,836	Long Term Debtors	-	2,135
60,493	12,162	Total Investments	50,102	9,340

Investments are made through money market deposits placed with United Kingdom institutions of good standing. Short Term Investments are due to be repaid on various dates, during the twelve months to 31 March 2010.

The bank balance is shown net of petty cash floats held at various locations and is calculated assuming all transactions are processed at the Balance Sheet date.

Short term borrowing comprises loans from banks that, although are long term in nature i.e. have maturity dates of up to 45 years, are capable of being called for repayment every six months. The amount shown comprises the principal of the loan, outstanding interest due and changes to the carrying value in compliance with the accounting policy for Financial Instruments.

The short term borrowing is analysed as follows:

	Balance 31 March 2008	Loans Raised	Loans Repaid	Out-standing interest	Balance 31 March 2009
	£000	£000	£000	£000	£000
Temporary Loans	-	(25,900)	25,900	-	-
Market Loans	(18,354)	-	-	9	(18,345)
PWLB Loans	(7,192)	-	7,192	-	-
Total	(25,546)	(25,900)	33,092	9	(18,345)

The long term borrowing is analysed as follows:

31 March 2008		Interest Rates	31 March 2009
£000		%	£000
(115,778)	Source of Borrowing: Public Works Loan Board	3.70 to 7.88	(117,939)
	The loans listed above mature as follows:		
-	Between one and two years		-
(8,433)	Between two and five years		(1,667)
-	Between five and ten years		-
(107,345)	Over ten years		(116,272)
(115,778)	Total		(117,939)

The average interest rate for all loans was 4.56% (4.64% in 2007/08). The borrowing value for 2008/09 includes outstanding interest in accordance with the change in accounting policy.

The Long Term Debtors in the Balance Sheet are analysed as below:

	Balance 31 March 2008	PFI Move ments	Less Repaid by Borrowers	Balance 31 March 2009
	£000	£000	£000	£000
Council House Mortgages	51	-	(5)	46
Private Sector Mortgages	9	-	-	9
Lease Premium	1,500	-	-	1,500
Loans	135	-	(35)	100
PFI Reversionary Interest	377	(68)	-	309
PFI Residual Interest	1,764	(1,593)	-	171
Total	3,836	(1,661)	(40)	2,135

29 Financial Instruments Gains and Losses

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

<i>2007/08</i>			2008/09	
<i>Financial Liabilities</i>	<i>Financial Assets</i>		Financial Liabilities	Financial Assets
<i>£000</i>	<i>£000</i>		£000	£000
6,163	-	Interest expense	6,117	-
		Impairment Losses		1,516
6,163	-	Interest Payable and Impairment Costs	6,117	1,516
	(3,948)	Interest income	-	(3,691)
6,163	(3,948)	Net gain / (loss) for the year	6,117	(2,175)

Interest income includes £178k of interest relating to deposits with Icelandic Banks which is detailed in Note 4 Exceptional Costs.

30 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 2009 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
- The Fair Value of trade debtors is taken to be the invoiced or billed amount

The Loans and Receivables value includes trade debtors. The Fair Values calculated are as follows:

2007/08			2008/09	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
(146,527)	(147,861)	Financial Liabilities	(144,611)	(146,395)
72,655	72,575	Loans and receivables	59,423	58,188

The Fair Value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date.

The Fair Value in 2008/09 is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date and the investments held with Icelandic Banks have been assessed as having a Fair Value of zero.

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

Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria. This Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

- Deposits are made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100 million of the total amount deposited in the highest rated category.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities,

and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £60 million in total.

- No more than £20 million is held with any one institution, regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to spread risk.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Services Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Sector Treasury Services Ltd.

In 2008/09 the Council had two investments with Icelandic Banks, which went into administration in October 2008. The sum invested £3m has been impaired taking into account information available at the time in relation to likely recovery of principal. See Note 4 Exceptional Costs for more details.

In October, the Council reviewed its investment strategy and subsequently only placed investments with the Government Debt Management Office, the Council's own bank and other Local Authorities.

In light of the investment strategy and a review of historical market conditions, the Council has reviewed the creditworthiness of its investments as at 31 March 2009.

The table summarises the Council's maximum exposure to credit risk, based on the experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Investments	Carrying value 31 March 2009	Experience of default 31 March 2008	Experience of default updated for conditions at 31 March 2009	Estimated maximum exposure
	£000			£000
Other Local Authorities	16,587	0%	0%	-
Banks and financial institutions	31,908	0%	5.07%*	1,618
Total	48,495			1,618

* The 5.07% represents the Council's historical experience of default across the entire investment portfolio, in the year the investments were made, and specifically relates to the deposits with Icelandic owned banks, where the invested sum of £3m has been impaired to a carrying value of £1.7m, as detailed in Note 4.

The table shows that prior to 2008/09 and the experience in relation to the investments in Icelandic Banks, the Council had no experience of default.

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. Other customers of the council's goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council. 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.

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.

The Council has therefore reviewed all its Financial Instruments and adjusted its bad debt provision accordingly.

The Council does not allow credit for customers, and the £7.5m debtors balance can be analysed by age as follows:

2007/08		2008/09
£000	Age of Trade Debt	£000
4,707	Less than three months	5,349
272	Three to six months	1,133
406	Six months to one year	140
777	More than one year	857
<u>6,162</u>	Total	<u>7,479</u>

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board 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 significant 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 to ensure that a significant number do not all mature in the same year. The Council's cashflow is forecast, in detail, for up to 12 months ahead and more broadly for the succeeding two years. The majority of the Council's in-hand balances are revenue in nature and consequently a significant proportion of its investment portfolio is held repayable on demand or on notice to accommodate outflows. Cash surpluses are typically deposited to dates when cash shortages are expected to occur.

The maturity analysis of financial liabilities is as follows:

2007/08		2008/09
£000	Maturity analysis of financial liabilities	£000
(29,690)	Less than one year	(25,675)
(38)	Between one and two years	(113)
(8,789)	Between two and five years	(2,003)
<u>(108,010)</u>	More than five years	<u>(116,820)</u>
<u>(146,527)</u>	Total	<u>(144,611)</u>

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 significant 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 Income and Expenditure Account will rise
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

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. There is an absolute limit set of £30m of net 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 risk of increasing interest outlay is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provides compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2007/08	2008/09
Impact of 1% change in Interest Rate	
£000	
68	-
(69)	(113)
<u>(1)</u>	<u>(113)</u>
(16,690)	(20,270)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Income & Expenditure Account or STRGL)	

There would be a significant favourable impact in the Fair Value of borrowings as a result of a 1% rise in interest rates as the majority of the Council's loan portfolio is at low fixed rates.

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

Price risk

The Council does not invest in equity shares and hence currently has no exposure to losses arising from movements in the prices of the shares.

Foreign exchange risk

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

32 PFI Deferred Consideration Account

The secondary schools PFI contract was entered into on 31 July 2006, the provider took over control of the buildings in September 2007. Prior to this time the Local Authority assets were held on the Council's Balance Sheet. The assets are no longer held on the Balance Sheet following an analysis of the relative risks borne by the Council and the provider.

Capital expenditure in 2008/09, in relation to the contract, has been transferred as a prepayment to the PFI Deferred Consideration Account. This will be charged to the Income and Expenditure Account over the life of the contract.

2007/08		2008/09
£000	PFI Deferred Consideration Account	£000
3,935	Balance at 1 April	28,477
13,066	Capital expenditure	472
11,959	Schools transferred as per PFI contract	-
-	Adjustment to Prior Year	1,403
(483)	Charge to Income & Expenditure Account	(1,047)
<u>28,477</u>	Balance as at 31 March	<u>29,305</u>

33 Revenue Expenditure Funded From Capital Under Statute.

Capital payments to secure lasting works of a capital nature, but where the Council obtains no fixed asset (e.g. improvement grants and spend on assets not in the Council's ownership) are amortised to the Income and Expenditure Account in the year the expenditure is incurred. Transactions in the year 2008/09 are shown below:

2007/08		2008/09
£000	Expenditure	£000
3,799	Improvement and Disabled Facility Grants	4,776
13,066	PFI – Deferred Credit	472
8,500	Contribution to the Academy School	-
-	Refurbishment of Arthur Mellows Village College	4,953
5,275	Other	7,410
	Less:	
(17,574)	Amounts charged to service areas in year	(17,139)
(13,066)	Amounts written to deferred credits for PFI	(472)
<u>-</u>	Balance as at 31 March	<u>-</u>

34 Stock and Work in Progress

31 March 2008		31 March 2009
£000	Stocks	£000
233	City Services Stores	204
348	Other Stock Balances	351
<u>581</u>	Total	<u>555</u>

35 Debtors

31 March 2008		31 March 2009
£000		£000
26,517	Central Government Departments	9,149
521	Cambridgeshire County Council	611
82	National Heritage (Lottery)	182
7,088	Cross Keys Homes	4,685
344	Council House Tenants	344
5,110	Council Tax Arrears	5,903
3,734	Non Domestic Ratepayers Arrears	4,561
1,087	Payments in Advance	1,922
17,144	General Debtors	17,300
61,627		44,657
	Outstanding balances on loans granted	
19	Loans to Employees (Car Purchase)	14
61,646	Total Debtors	44,671
(7,932)	Less : Provision for Bad Debts	(7,305)
53,714	Total	37,366

36 Creditors

Restated 31 March 2008		31 March 2009
£000		£000
(2,346)	Central Government Departments	(1,511)
(1,945)	Peterborough Primary Care Trust	(5,594)
(2,079)	Council Tax Overpaid	(753)
(2,121)	NNDR Overpaid	(708)
-	Non Domestic rates pool	(1,720)
(2,574)	Capital Schemes	(1,727)
(9,091)	Deposits / Receipts in Advance	(13,768)
(17,839)	Unapplied Capital Grants	(12,296)
(1)	Collection Fund Surplus to Precepting Authorities	(240)
(33,488)	General Creditors	(39,972)
(71,484)	Total Creditors	(78,289)

37 Long Term Liability

Prior to 1 April 1990, the Council exclusively used finance leases to acquire vehicle, plant and equipment and, in earlier years, to construct the Market and Northminster multi-storey car park. Since that time some vehicles and equipment have been financed using operating leases and the Council has only utilised a finance lease facility for fitness equipment.

31 March 2008		31 March 2009
£000		£000
(37)	Finance Lease Liability	(25)
(75)	Security Equipment	(50)
(960)	Lease Premium	(960)
(1,072)	Total	(1,035)

38 Leasing Arrangements

Annual payments in respect of these arrangements are:

2007/08 £000		2008/09 £000	2009/10 £000	Later £000
13	Finance leases	13	13	13
407	Operating leases	259	178	199
420	Total	272	191	212

The 2009/10 elements are broken down as follows:

	£000
Leases expiring in 2009/10	-
Leases expiring between 2010/11 and 2012/13	191
Total	191

All lease payments are charged to relevant service areas and are then adjusted to ensure the charges are spread evenly over the period of the lease.

39 Property Leases

The Council has granted leases for various properties, shops, market, industrial units, other buildings and open areas, which it owns, to third parties. These arrangements are accounted for as operating leases, as shown in the table below. The Council rents offices and industrial units, which are accounted for as operating leases, shown below.

Property Lease Categories	Rentals Received		Rentals Paid	
	No.	£000	No.	£000
Car Parks	8	(279)	4	5
Farms	2	(227)	1	-
Industrial	127	(1,608)	74	816
Market	47	(445)	-	-
Office	22	(460)	10	498
Retail	86	(2,029)	10	115
Open Spaces	10	(18)	1	-
Other	73	(188)	26	83
Total	375	(5,254)	126	1,517

40 Grants and Contributions Deferred Account

Capital Grants and Contributions received to finance completed assets are allocated to the Grants and Contributions Deferred Account. These grants and contributions will be recognised in the Income and Expenditure Account over the life of the asset to which the grant relates to offset any provision for depreciation charged to the revenue account in respect of the asset.

31 March 2008 £000		31 March 2009 £000
(53,245)	Balance Brought Forward	(75,549)
241	Restated in accordance with LAAP 73	-
(39,427)	Grants applied in year	(33,905)
5,140	Amortisation of Grants	5,488
5,407	Grants applied to Revenue Expenditure Funded from Capital under Statute	16,014
1,012	Write out of grant linked to unidentifiable assets	-
-	Grants applied in year to completed Assets Under Construction	(4,277)
5,323	Grants applied in year to Assets Under Construction	4,235
(75,549)	Balance Carried Forward	(87,994)

41 Provisions

	Balance Brought Forward 1 April 2008	Add Contribution to Provision	Less Payments from / Reductions to Provision	Balance Carried Forward 31 March 2009
	£000	£000	£000	£000
Social Care Repayment	(77)	-	9	(68)
Insurance Claims	(1,565)	(311)	469	(1,407)
Lenders Option Borrowing rates	(15)	-	10	(5)
Payroll	-	(737)	-	(737)
Total	(1,657)	(1,048)	488	(2,217)

Class of Provision	Purpose
Social Care Repayment	Following a House of Lords Judgement, services provided under Section 117 of the Mental Health Act were adjudged to be free. The provision represents the liability due to be repaid.
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.
Lenders Option Borrowing Rates	The Council has borrowed amounts that are subject to low interest rates initially and then broadly at market rates for the remainder of the loan period. This provision is intended to equalise the charge to revenue each year.
Payroll	Other pay and redundancy related payments, where the decisions were made during 2008/09 but actual payment not made until 2009/10

42 Revaluation Reserve

31 March 2008		31 March 2009
£000		£000
-	Balance Brought Forward.	44,981
53,370	Revaluations Upwards	29,723
(2,368)	Release of revaluation gains on downward revaluations	(7,144)
(5,429)	Release of revaluation gains on disposal	(19)
(592)	Difference between historic cost and current value depreciation	(1,163)
44,981	Balance Carried Forward	66,378

The Revaluation Reserve was included in the Balance Sheet with a zero opening balance at 31 March 2008. The closing position on the Reserve at 31 March 2009 therefore only shows revaluation gains accumulated since 1 April 2007.

43 Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

2007/08 £000		2008/09 £000
234,973	Balance Brought Forward	164,050
4,833	Minimum Revenue Provision (MRP)	5,363
(14,432)	Depreciation	(15,873)
(53,199)	Impairment	(27,702)
(77)	Write down of deminimis capital expenditure	-
(617)	Amortisation	(943)
592	Depreciation & impairment write down to Revaluation Reserve	1,163
(7,586)	Disposal of fixed assets	(1,767)
5,429	Transfer of revaluation gains on disposal	19
(17,574)	Revenue Expenditure Funded from Capital under Statute	(17,139)
	Capital Financing:	
10,624	Capital receipts transferred from Useable Capital receipts	6,548
1,143	Use of revenue	429
5,407	Use of capital grants	16,014
5,140	Write down of government grants deferred	5,488
-	Capital receipts set aside to repay debt	-
(3,349)	Capitalisation Direction	-
231	PFI adjustment	(1,304)
(15)	Repayment of loan	(35)
(8,485)	Write down of unidentifiable assets	-
1,012	Write out of grant linked to unidentifiable assets	-
164,050	Balance Carried Forward	134,311

44 Usable Capital Receipts

Capital Receipts can only be used to finance new capital expenditure or to repay debt.

2007/08 £000		2008/09 £000
-	Balance Brought Forward	10
10,654	Receipts in year	6,543
10,654		6,553
	Less	
-	Set aside in year to repay debt	-
(20)	Amounts paid to Government under "pooling" arrangements	(5)
(10,624)	Applied to finance capital expenditure in year	(6,548)
10	Total	-

45 Deferred Capital Receipts

These deferred capital receipts relate to mortgages and lease premiums that are not due at 31 March 2009, but will be received by the Council in future years.

31 March 2008 £000		31 March 2009 £000
600	Deferred capital receipts	595

46 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account was been introduced in 2007/08.

31 March 2008 £000	31 March 2009 £000
- Balance carried forward	(524)
(530) Adjustment to carrying value of Market Bonds on 1 April 2008	-
- Adjustments in relation to Icelandic Banks	(1,337)
6 Movements during the year	6
(524) Balance Carried Forward	(1,855)

Regulations issued in February 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account (FIAA).

	31 March 2009 £000
Adjustments in relation to Icelandic Banks	£000
Heritable Bank	265
Kaupthing Singer & Friedlander Ltd	1,072
Total Amount Transferred	1,337

Under the regulations, the Council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Financial Instruments Adjustment Account	Balance at 31/03/09 £000	Transfers during 2009/10 £000	Transfers during 2010/11 £000	Balance at 31/03/11 £000
Heritable Bank	265	(40)	(225)	-
Kaupthing Singer & Friedlander Ltd	1,072	(45)	(1,027)	-
Total	1,337	(85)	(1,252)	-

47 Reserves

Reserve	Balance 1 April 2008 £000	Net Movement in year £000	Balance 31 March 2009 £000	Purpose of Reserve	Ref. Note
Revaluation Reserve	44,981	21,397	66,378	Store of gains on revaluation of fixed assets not yet realised through sales.	42
Capital Adjustment Account	164,050	(29,739)	134,311	Store of capital resources set aside to meet past expenditure	43
Useable Capital Receipts	10	(10)	-	Proceeds of fixed assets sales available to meet future capital investment	44
Deferred Capital Receipts	600	(5)	595	Outstanding balance due for mortgages and lease premiums	45
Financial Instruments Adjustment Account	(524)	(1,331)	(1,855)	Balancing account to allow for differences in statutory requirements and proper accounting requirements for borrowings and investments.	46
Specific Reserves	23,137	(11,779)	11,358	See following Tables	
Pensions Reserve	(62,709)	(29,298)	(92,007)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	9
School Balances	9,486	(3,908)	5,578	Statutory balances for each school available for the school in future years.	17
General Fund	6,000	-	6,000	Resources available to meet future running costs	
Collection Fund balance	6	1,182	1,188	The Council's share of the surplus on the Collection Fund See Collection Fund Statement, page 60	
Total Reserves	185,037	(53,491)	131,546		

The Table overleaf details the movements on specific reserves.

Reserves	Balance at 1 April 2008	Contribution to Reserves	Contribution from Reserves	Movement between Reserves	Balance At 31 March 2009
	£000	£000	£000	£000	£000
Meeting Corporate Priorities	4,521	1,635	(2,170)	(235)	3,751
Local Government Reorganisation	392	-	(354)	-	38
Insurance	4,512	314	(178)	(107)	4,541
Schools Capital Expenditure	-	2,080	-	-	2,080
Available for Capacity Building	13,712	2,430	(15,536)	342	948
Total Reserves	23,137	6,459	(18,238)	-	11,358

Reserves	Purpose
Meeting Corporate Priorities	Sums specifically set aside for meeting Corporate Priorities. These will have been identified by the Cabinet or the Corporate Management Team and are incorporated within the Medium Term Financial Strategy.
Local Government Reorganisation	A sum set aside to meet future repayments due in respect of Local Government Reorganisation.
Insurance	Sums set aside to provide for future claims (self insurance). A number of risks, contingencies and financial losses are held 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 £25,000 per loss, are also met by the Reserve.
Schools Capital Expenditure	School revenue reserves put aside for funding future school capital schemes.
Available for Capacity Building	Consists of the balance of the sums set aside which can be utilised to fund new issues when approved.

48 Notes Relating to the Cash Flow Statement

Reconciliation of Surplus on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

2007/08 Restated £000		2008/09 £000
72,892	Deficit for the year	51,829
1,066	Add: Increase in Schools Balances	(3,908)
	Add non-cash transactions	
(617)	Amortisation	(943)
(14,432)	Depreciation of fixed assets	(15,872)
(53,276)	Impairment of fixed assets	(27,702)
10,547	Amortisation of Government Grants Deferred	21,502
(17,574)	Revenue Expenditure Funded from Capital under Statute	(17,139)
455	Net gain / (loss) on sale of fixed asset	2,158
3,094	Net gain on Right to Buy receipts	1,278
(2,174)	Net charges for retirement benefits	(3,889)
(560)	Provisions set aside in year	(1,049)
-	Icelandic Investments Impairment	(1,338)
678	Payments from provisions	489
(3,185)	NNDR Payments made by the Council	(2,542)
231	PFI Adjustments	(1,304)
(524)	Financial Instruments Account	6
	Add back items relating to Collection Fund	
10,937	Precepts Paid	11,460
75,826	NNDR Pool Payments	80,285
(56,921)	Council Tax Receipts	(57,950)
(69,752)	NNDR Receipts	(79,399)
56,026	Demand on Collection Fund	56,846
275	Capital expenditure recharges	1,919
(329)	Non-Cash Salary Costs	(289)
	Less items on an accruals basis	
(69)	Increase / (decrease) in stocks	(26)
(258)	Increase / (decrease) in Landfill Usage Allowance	-
18,390	Increase / (decrease) in debtors	(16,347)
(3,756)	Less capital debtors	7,109
(1,485)	Less collection fund debtors	(1,620)
832	Add bad debt provision movement	(627)
(18,299)	Add increase in creditors	(6,806)
9,797	Add capital creditors	(5,024)
(2,076)	Add collection fund creditors	(2,502)
	Items classified in another classification in the cash flow	
3,948	Interest and Investment Income	3,691
(6,163)	Interest Paid	(6,117)
(745)	Add Balance Sheet items and other adjustments	(455)
12,799	Net cash inflow from revenue activities	(14,276)

Reconciliation of the Net Cash Flow to the Movement in Net Debt

2007/08 £000		2008/09 £000
(49,994)	Net debt at 1 April	(83,818)
(8,629)	Decrease / (increase) in cash in the period	5,412
(24,989)	Cash (inflow) / outflow from increase / decrease in debt financing	5,140
750	Cash (inflow) / outflow from increase in liquid resources	(12,911)
(956)	Accrual of interest	(1,314)
(83,818)	Net debt at 31 March	(87,491)

Analysis of Net Debt

Analysis of Net Debt	Balance 1 April 2008	Movement between categories	Accruals of interest	Cash Flow	Balance 31 March 2009
	£000	£000	£000	£000	£000
Cash in hand	(4,079)	-	-	5,412	1,333
Debt due after one year	(116,850)	(7,128)	(136)	5,140	(118,974)
Debt due within a year	(25,546)	7,128	73	-	(18,345)
Short term investments	54,331	-	(1,148)	(11,893)	41,290
Long term investments	8,326	-	(103)	(1,018)	7,205
Total	(83,818)	-	(1,314)	(2,359)	(87,491)

Reconciliation of items shown in Financing and Management of Liquid Resources to the related items in the Balance Sheet

Reconciliation of Financing and Management of Liquid Resources to the related items in the Balance Sheet	2008/09 £000
Net transfers to short term investments	(11,893)
Net transfers to long term investments	(1,018)
Repayment of amounts borrowed	13,885
Capital Elements of Finance Lease	12
Credit Arrangement	-
New Long Term Loans	(8,757)
Accruals of interest	(1,314)
Total Movement in Net Debt on Balance Sheet	(9,085)

Balance Sheet Items	Balance 1 April 2008 £000	Balance 31 March 2009 £000	Movement in the year £000
Long Term Loans	(115,778)	(117,939)	(2,161)
Short Term Investments	54,331	41,290	(13,041)
Long Term Investments	8,326	7,205	(1,121)
Long Term Liability	(1,072)	(1,035)	37
Long Term Loans Repayable in 1 year	(25,546)	(18,345)	7,201
Total	(79,739)	(88,824)	(9,085)

Movement in Cash and Cash Equivalents (Liquid Resources)

Movement in Cash and Cash Equivalents	Balance 1 April 2008 £000	Balance 31 March 2009 £000	Movement in the year £000
Short Term Borrowing	(25,158)	(25,158)	-
Bank Balance	(4,079)	1,333	5,412
Short Term Investments	53,400	41,508	(11,893)
Increase / (Decrease) in cash and cash equivalents	24,163	17,683	(6,481)

The Council's Liquid Resources comprise money at the bank and investments on the money market less borrowing of less than 12 months.

Other Government Grants

Certain Government Grants are identified separately within the body of the Cash Flow Statement. Further analysis of Revenue Grants is shown below: -

2007/08 £000		2008/09 £000
(378)	Urban Grant	(347)
(4,755)	Supporting People	(4,930)
(13,884)	Learning Skills Council Funding	(13,155)
(106,402)	Dedicated Schools Grant	(109,074)
(22,528)	Other Education Grants	(26,674)
(3,269)	Local Area Agreements	-
(4,731)	Private Finance Initiative	(4,731)
(3,638)	Surestart Grant	(9,799)
(4,513)	Adult Social Care Grants	(751)
(237)	Local Authority Business Growth Incentive	(2,846)
-	Area Based Grant	(9,500)
(9,372)	Other	(6,774)
(173,707)	Total Government Grants	(188,581)

49 Trust Funds

The Council administers 13 trust funds for the benefit of children in specific schools or in care. The total value invested, as at 31 March 2009 was £96,243 (£89,191 at 31 March 2008). 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 £13,285 (£12,015 at 31 March 2008) all invested internally.

The Council acts as the sole trustee of the City Museum, a registered charity, and fully funds the annual deficit, which is included within the Income and Expenditure Account.

The Council is sole trustee of Nene Park Endowment Charity that manages various commercial properties for the benefit of Nene Park Trust.

These Trust Funds are not included in the Council's Balance Sheet.

50 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. 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. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- 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.

- Municipal Mutual Insurance (MMI) - In 1992-93 the Council's insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council under this arrangement is £360,000. It is possible that a proportion of this may need to be repaid by the Council if the scheme of arrangement is triggered by insolvency, but the amount cannot be quantified at this stage. The Company still predicts a solvent run off.
- As part of the single status agreement, made between the NJC (National Joint Council) and Councils, the Council has reviewed the pay and grading structure to ensure equal pay for work of equal value. The new structure was implemented on the 1st March 2008, backdated to the 1st April 2007. Employees have the option to appeal against the initial outcomes of the re-grading process. Stage 1 appeals and queries have been considered and the results are reflected in these accounts. The next stage of appeals will take place during 2009/10 and if these result in an increase in grading or additional payment, for either an individual or a group of employees, further liability could be incurred. Given the uncertainty of the potential liability it has not been possible to estimate its impact.
- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied. Reimbursement of grants may be necessary if it is found that the Council has not met the terms and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.

51 Contingent Assets

The Council's disposal programme has given rise to a contingent asset, in relation to funds held in retention by the purchaser. The amount receivable by the Council is dependent upon the value of the work required to be carried out, and the timeframe involved for the completion of this work.

52 Authorisation of the Accounts

The Executive Director of Strategic Resources authorises these accounts to be issued on 30 June 2009.

The Collection Fund and Notes

The Collection Fund is a statutory account set up under the Local Government and Finance Act 1988. It shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates and shows how these have been distributed to preceptors and to the General Fund.

2007/08		Collection Fund		2008/09	
£000	£000		Notes	£000	£000
		Income			
(56,667)		Council Tax (net)	1	(58,658)	
(9,651)		Transfer from General Fund - Council Tax		(10,153)	
(74,786)		Business Ratepayers (NNDR)	2	(82,417)	
	<u>(141,104)</u>	Total Income			(151,228)
		Expenditure			
2,810		Cambridgeshire Fire Authority Precept	3	2,953	
8,014		Cambridgeshire Police Authority Precept	3	8,507	
55,426		Demand by Peterborough City Council		56,846	
	66,250	Total Precepts			68,306
74,518		Payment to NNDR National Pool		82,003	
268		NNDR cost of collection allowance		274	
	74,786	Total Business Rates			82,277
460		Change in provision	4	(776)	
	460	Total Bad and Doubtful Debts			(776)
		Contribution to previous year's estimated surplus:			
30		Cambridgeshire Fire Authority		-	
84		Cambridgeshire Police Authority		-	
600		Peterborough City Council		-	
	714	Total surplus			-
	<u>142,210</u>	Total Expenditure			149,807
	<u>1,106</u>	Deficit / (surplus) for the year			(1,421)
		Movement on Collection Fund Reserve:			
(1,113)		Fund Balance Brought forward			(7)
1,106		Deficit / (surplus) for the year			(1,421)
	<u>(7)</u>	Fund Balance Carried Forward			<u>(1,428)</u>
		Collection Fund Reserve attributable to the City Council and preceptors:			
-		Cambridgeshire Fire Authority surplus (Creditor)			(62)
(1)		Cambridgeshire Police Authority surplus (Creditor)			(178)
(6)		Peterborough City Council			(1,188)
	<u>(7)</u>	Total Collection Fund Balance			<u>(1,428)</u>

1 Calculation of Council Tax Base

Council Tax Band Ratio to Band D	A	B	C	D	E	F	G	H	TOTAL
	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
No. of Dwellings	32,718	17,186	11,691	6,244	3,821	1,666	810	59	74,195
Band D Equivalent	21,812	13,367	10,392	6,244	4,670	2,406	1,350	118	60,359

The Band D Equivalent shown above is calculated by applying the relevant factor but is before statutory discounts, exemptions, etc., and any allowance for non-payment which is at the discretion of each Local Authority. The tax base used for Council Tax setting purposes after taking account of these factors was 54,231 (53,640 in 2007/08).

2 National Non-Domestic Rates

As at 31 March 2009 the total national non-domestic rateable value was £197,679,192 (£201,445,032 at 31 March 2008) and the national multiplier was 46.2p giving a gross charge of £91,327,787 (£89,441,594 in 2007/08). The amount due for the year is calculated by reference to the actual charge during the year, which changes on a daily basis. The gross charge is further reduced because of reductions due to successful appeals, voids, interest on refunds and charitable relief.

3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.0m as at 31 March 2009 against arrears of £5.7m. At 31 March 2008, the provision stood at £3.0m against arrears of £4.7m.

Annual Governance Statement

Scope of Responsibility

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

In discharging this overall responsibility, the City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

With effect from April 2008, the council implemented the principles of the CIPFA / SOLACE Framework – “*Delivering Good Governance in Local Government*” (CIPFA 2007) within a Local Code of Governance. A copy of the code is on our website at www.peterborough.gov.uk or can be obtained from:

Peterborough City Council
Democratic Services, Town Hall
Bridge Street
Peterborough. PE1 1HQ

This statement explains how the City Council has complied with the code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the City Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.

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

The governance framework has been in place at the City Council for the year ended 31st March 2009 and up to the date of approval of the statement of accounts.

The Governance Framework

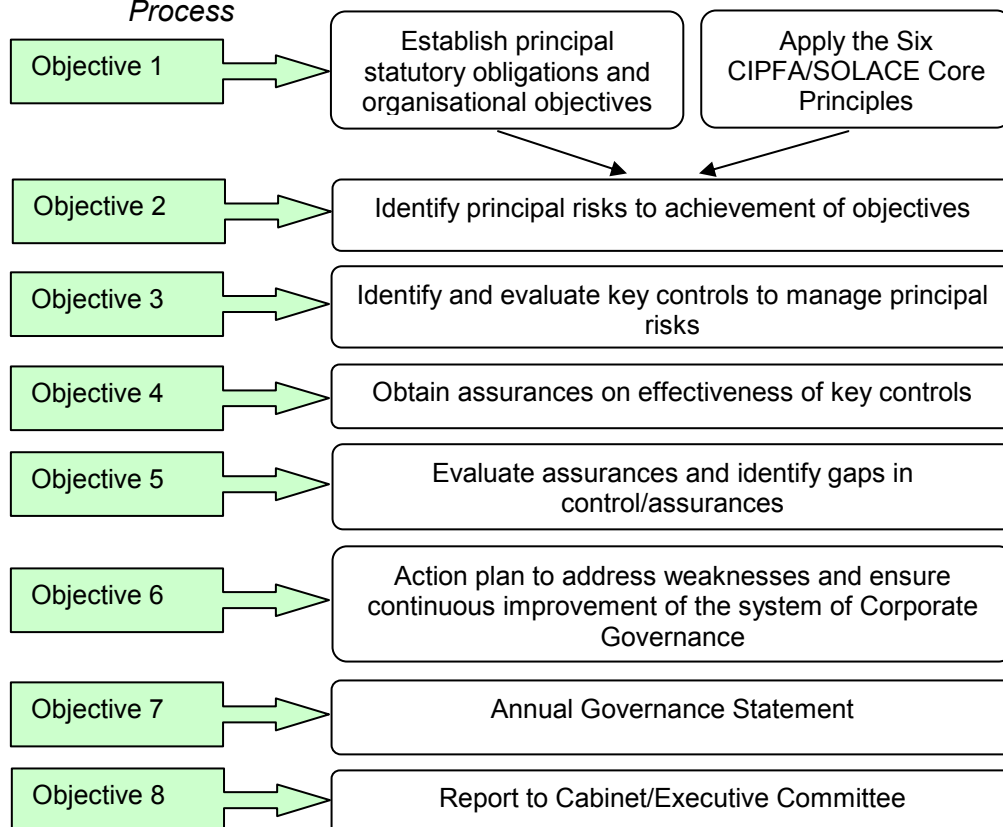
The Council is a complex organisation with an appropriately comprehensive governance framework. The Council works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from six core principles identified in a 2004 publication entitled *The Good Governance Standard for Public Services*. This was produced by the Independent Commission on Good

Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Public Management. The commission utilised work done by, amongst others, Cadbury (2002), Nolan (1995) and CIPFA / SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles state that good governance means:

- (1) Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- (2) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- (3) Promoting the values of the Authority and demonstrating the values of good governance through behaviour.
- (4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- (5) Developing the capacity and capability of members to be effective and ensuring that officers (including the statutory officers) also have the capability and capacity to deliver effectively.
- (6) Engaging with local people and other stakeholders to ensure robust local public accountability.

Peterborough has used these principles when gathering evidence to gain assurance that governance is robust, and have applied the format suggested by CIPFA (see diagram 1) towards preparing the Annual Governance Statement. After the first steps at objective 1, the core principles are evidenced to give assurance. By following this process a comprehensive review of governance arrangements is undertaken in line with CIPFA guidance.

Diagram 1: Review of Annual Governance Statement and the Assurance Gathering Process



The key elements of each of these core principles are as follows:

Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area

The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. A copy of the Corporate Plan can be found at: <http://www.peterborough.gov.uk>. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.

The City's Vision:

"A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth...."

Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings.

Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.

The Council previously had four priority areas, broadly focusing on safety and the environment, health and well-being, improving our economy, and ensuring children have access to excellent educational opportunities. These have now been subsumed into those from the Sustainable Community Strategy. Each of these priority areas has a focus on a number of outcomes that will collectively deliver the improvements that Peterborough expects.

Previous PCC Priorities	Plan and deliver a safe, attractive and environmentally friendly city	➔	Creating the UK's environment capital	SCS & new PCC Priorities
	Achieve the best possible health and wellbeing	➔	Creating strong and supportive communities	
	Make Peterborough a better place in which to live and work	➔	Delivering substantial and truly sustainable growth	
	Provide high quality opportunities for learning and ensure children and healthy and safe	➔	Creating opportunities - tackling inequalities	

The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend service and business plans.

The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how

well we performed in previous years, plus our plans against these indicators for future years. All employees have been issued with pocket sized cards detailing the strategic priorities, in addition to priority posters being situated in all key council properties.

The Council ensures that its vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that its vision is clearly articulated and disseminated. The Council conveys vision for the future, strategic direction, priorities and targets to the community by a number of methods. The Corporate Plan, Policy Framework and Budget, Local Area Agreement and a variety of other plans and strategies are considered in public at Scrutiny Committees, Cabinet and Council Meetings. In addition, various forums are utilised to obtain feedback from stakeholders to help in shaping the future development of our vision for the future including future investment and services provided. As part of this process, any impact on governance arrangements will be identified and responded to.

The Council uses a range of methods to measure the quality of service for users in order to ensure that the Council can review the quality of service that is being provided. This includes carrying out satisfaction surveys and monitoring relevant performance indicators. The Council has a detailed performance management framework in place which is effectively used to monitor and manage performance. Performance is cascaded through service plans, individual employee appraisals and action plans. Performance reports are produced on a quarterly basis and is considered by the Council's Corporate Management Team (CMT), the Cabinet, and Scrutiny Committees. The information on performance is reported annually through the Corporate Plan and the report is also fed into the budget process. This ensures that the Council reviews and monitors the quality of service and reflects the needs of its users in its Corporate Plan and Medium Term Financial Plan in order to ensure improvement. A further development to improve performance has included the establishment of "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives. The reporting process is under constant review in order to develop its maximum potential. The Council has put in place effective arrangements to deal with potential failures in service delivery. The Council has a comprehensive comments, compliments and complaints scheme. All employees are subject to performance and development review processes which should address any failures in service delivery by employees.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council has established an ambitious business transformation programme to take the Council forward. Rated as a three star authority, the City Council's performance has improved over recent years. However, the Authority is still inefficient in parts. In some areas outdated systems and processes make relatively simple tasks resource-intensive. In other areas a lack of shared systems means duplication and wasted resource.

There are two work streams for the transformation programme. The first focuses on procurement which aims to deliver ongoing annualised savings. The second is about driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes;

reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. Teams across the council are proactive in identifying further efficiencies within their own work areas and across the council and business transformation consultants have trained many managers and team leaders to approach their work with a greater business focus. Customers are happy with the more co-ordinated service they receive from the council and as a result satisfaction ratings are rising. Other councils are beginning to visit Peterborough to learn about some of the best practice generated here.

These projects will ensure that the Council can effectively manage the budget process and future cash limit allocation. The Business Transformation Programme will aim to drive efficiencies across the Council from areas including the Corporate Procurement Strategy and procurement initiatives. Major projects in progress at 31 March 2009 include the proposals for an ICT Managed Service and the provision of services to other councils.

The council reviewed its contract standing orders and financial regulations in the year and these were approved by full Council in the summer 2007. Revised procurement rules and processes have been adopted and further refinements identified so as to ensure continuing improvement and simplification, whilst maintaining appropriate governance checks.

The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through Cabinet, and more recently through the Audit Committee. Major changes to the overall risk profile of the council are reported through to members on the Audit Committee.

When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it. The Local Area Agreement sets out a range of outcomes that Peterborough and its various partnerships aim to achieve supported by clear, measurable targets and indicators. The constitution establishes a Partnership Framework which aims to ensure that all potential partnerships to be entered into by the Council have a common vision and clear objectives.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has set out a clear statement of the respective roles and responsibilities of the Executive (known as the Cabinet) and of the Cabinet's members individually and the Authority's approach towards putting this into practise. The Council is governed by a constitution which sets out the main control mechanisms including the appointment of a monitoring officer. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved to full Council, there are a number of decisions which are made by Cabinet in accordance with the Local Government Act 2000. The role and form of composition of the Leader of the Council, and individual Cabinet Members is set out in Article 6 of Part II of the Council's Constitution. The Council's Constitution can be found at: <http://www.peterborough.gov.uk>. The Constitution provides that the Cabinet is responsible for all the functions of the Council that are not the responsibility of any other part of the Council. The manner in which

Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

The Council has set out a clear statement of the respective roles and responsibilities of councillors who are not part of the Cabinet, and councillors generally and of senior officers. All members of the Council attend council meetings. Councillors who are not part of the Cabinet are able to sit on the Scrutiny Panels (Health and Adult Social Care; Business Efficiency; Children's and Lifelong Learning; Community Development; and Environment) which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. These non-executive councillors also serve on regulatory committees (Audit; Planning and Environmental Protection; Standards; Licensing; and Employment). These regulatory committees consider a variety of non-executive functions. The general powers delegated to all Directors and specific powers delegated to individual Directors and Senior Council Officers are clearly set out in the Scheme of Delegation within the Constitution at <http://www.peterborough.gov.uk>.

The Council has developed protocols to ensure effective communication between councillors and officers in their respective roles. The Council's Constitution contains a significant amount of formal guidance in the form of procedure rules, codes, and protocols to ensure that councillors are aware of their roles, powers and duties in relation to the full Council Meeting, the Cabinet, Scrutiny and Scrutiny Panels, contracts and a Code of Conduct for Councillors. The Constitution also contains codes and protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.

Information bulletins are circulated to Councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this was the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages. Also, the Council operates a Members' Enquiry service for all councillors to refer ward based issues to officers of the Council for investigation and comment.

The Leader and the Chief Executive recognise their role in ensuring good governance emanates throughout the organisation. They are acutely conscious that all the evidence shows that effective, complimentary working between a leader and a chief executive is key to the effectiveness of a local authority. They have therefore developed a clear understanding of their respective roles within the context of the Council's objectives. Their regular meetings help ensure that they communicate frequently and effectively and share intelligence on any issues where role confusion might otherwise be possible.

The Council has in place mechanisms to allow effective, independent and rigorous examination of the proposals and decisions of the Cabinet by Scrutiny Committee. Key decisions are taken at full meetings of the Council or Cabinet and are published in a forward plan. The Scrutiny Committee has no decision making powers but monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the Council. The Chairman or any Councillor can call in for review by the Scrutiny Committee any decision made by the Cabinet or by individual Portfolio Holders. Scrutiny Committee meetings are open to the public. In order to facilitate greater transparency and challenge within the organisation, in May 2006, Full Council

agreed to the establishment of a separate Audit Committee in line with recognised best practice within local government.

The Council has set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective Employment Committee. Remuneration terms and conditions of the Council's officer base are strategically managed by the Human Resources Division within the Chief Executive's Directorate. Individual Directors are responsible for Human Resources issues within their service areas for staff below Head of Service level. In addition, the Council implemented a job evaluation scheme in March 2008 which has been utilised to establish single status harmonisation. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.

The Council has determined a scheme of delegated and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decisions by the Council taking account of relevant legislation and it ensures that it is monitored and updated when required. The Council's Scheme of Delegation is included in the Constitution which is updated as required. This clearly sets out functions reserved to the Full Council Meeting, the Cabinet Councillors, collectively and individually, and other decision-making bodies of the Council including officer delegated powers.

The Constitution contains a list of Policy Framework items which must be approved by the Council Meeting and in respect of which the view of Scrutiny Committees and the Cabinet Meeting collectively are considered.

The Council ensures that effective management arrangements are in place at the top of the organisation. The Council has made the Chief Executive responsible and accountable to the authority for all aspects of operational management. The Chief Executive as Head of Paid Services is responsible for all matters associated with the professional management of the Council. Following consultation during summer 2008, a new senior management structure was introduced in September 2008. The Chief Executive is assisted by a Deputy Chief Executive and Executive Directors, each of which is responsible for a designated strategic area of the Council's service. The overall management structure of the Council, showing in general terms how officers are deployed and managed, is published in Part 7 of the Constitution.

The Council has in place an Executive Director (Resources) to be responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The functions of the Executive Director (Resources) as the Council's Section 151 officer are set down in statute and are defined in the Constitution. As part of their function, there is a requirement to present fairly the financial position of the Council at the accounting date and its income and spending for the financial year (ended 31 March 2009), including:

- Selecting suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Complying with the Code of Practice on Local Authority Accounting in Great Britain, together with International Financial Reporting Standards;
- Keeping proper, up to date accounting records; and
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director (Resources) is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

In addition the Council has appointed a Monitoring Officer to be responsible for maintaining the Council's Constitution, the promotion and maintenance of high standards of conduct and has the status to provide advice and support and to co-ordinate training to Members. The Council employs a Council Solicitor to ensure that all applicable statutes, regulations, and other relevant statements of good practice are complied with. The functions of the Council's Monitoring Officer are clearly set out in Article 11 of the Constitution.

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Solicitor to the Council as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Chief Executive and Executive Director (Resources) they will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Furthermore, the Council has put in place arrangements to ensure that its procedures and operations are designed in conformity with the appropriate ethical standard. The Constitution provides that the Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct and ethics through the provision of support to the Standards Committee. The Standards Committee and the Monitoring Officer monitor the procedures and operations to ensure their continued compliance.

The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities - published in Part 5 of the Constitution - defining the standards of behaviour such as:

- Members Code of Conduct
- Officers' Code of Conduct
- Member / Officer Protocol
- Planning Code of Conduct
- Member Declarations of Interest
- Gifts and Hospitality

The Council has developed and maintained an effective Standards Committee, with independent members including the Chair, which acts as a means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture. The terms of reference are clearly set out in the Constitution. The Council has adopted the Code of Conduct which provides that members must declare personal interests in matters and also not take part in the decision making process if they have a prejudicial interest.

The Council has put in place arrangements to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interests in dealing with different stakeholders and has put in place appropriate processes, such as the Officers Code of Conduct, to ensure that they continue to operate in practice.

Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards. Lexcel accredited practices undergo rigorous independent assessment every year to ensure they meet required standards of excellence in areas such as client care, case management and risk management.

The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. This quality framework ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

Building Control Services and Library Services have achieved accreditation under the Charter Mark standard, which is the government's national standard for excellence in customer service.

The financial management of the Council is conducted in accordance with the financial rules set out in the Constitution and with Financial Regulations. The Council has designated the Executive Director (Resources) as the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The appropriate governance arrangements are put in place to ensure that:

- Accounts and financial records meet the requirements of statutes, regulations, accounting conventions and codes of practice.
- An independent audit function is maintained to carry out an examination of accounting, financial and other operations of the Council.
- Financial statements are in place across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.

The Council has a Medium Term Financial Strategy, reviewed annually, under which it plans its finances over a three year rolling period. The Council sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. Budget monitoring reports are taken to Management Teams and Members on a regular basis.

The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". The Head of Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. The Council's established scrutiny function consists of a number of Scrutiny Panels and an overall Scrutiny Committee. The function is reviewed regularly. An annual "Scrutiny report" is produced. The Council also participates in a number of joint scrutiny arrangements, principally with local health authorities.

The Scrutiny Panels review and / or scrutinise decisions made or actions taken in connection with the discharge of any of the councils functions.

FULL COUNCIL
CABINET
Scrutiny Committee



Scrutiny Panels	Regulatory Committees
Health and Adult Social Care	Audit
Business Efficiency	Planning and Environmental Protection
Children's and Lifelong Learning	Standards
Community Development	Licensing / Licensing Act 2003
Environment and Community Safety	Employment

The regulatory committees each have a specific function.

- **Audit.** To provide assurance about the adequacy of the internal controls; financial accounting and reporting arrangements; anti-fraud and anti-corruption arrangements; that effective risk management is in place; and issues raised by internal and external audit. The expectation from this committee is that its work is intended to enhance public trust in the corporate and financial governance of the council. This committee was first established in June 2006 and is based on best practice as prescribed by CIPFA. The Council has a confidential reporting policy ('Whistleblowing') which is embedded in the constitution and has been publicised to staff. The policy is also on the Council's web site so that contractors are aware of the policy. Any reports under whistleblowing are also reported in to committee.
- **Planning and Environmental Protection.** The committee decides planning applications for building development, including new homes, commercial buildings, alterations and change of use, where permission is not granted under delegated authority. There is also an enforcement function, where breaches of planning control are referred to the committee. To ensure that the citizens of Peterborough can engage with the Council a public speaking scheme is in operation.
- **Standards.** Standards Committee is a group of ten people appointed by the council to promote high standards of conduct by city councillors, parish councillors and co-opted members. Five committee seats are taken by independent people - ordinary members of the public who have responded to our advert in the local press and applied to join the committee. They give their time voluntarily, to serve the community. One of these independent people chairs the committee. The remaining places are made up by five city councillors being representatives from each political party. Two elected parish councillors also sit on the committee. The committee promotes and maintains high standards of conduct by city and parish councillors, encourages all councillors to observe the Code of Conduct, informs councillors about the Code of Conduct and helps them to avoid inadvertent breaches, arranges training on matters relating to the Code of Conduct and deals with any complaints about breaches of the Code of Conduct by a councillor which have been referred back to the city council by the national Standards Board for England. Since 2008, complaints have been investigated within the Council by the Corporate Fraud team.
- **Licensing / Licensing Act 2003.** The Licensing Committee considers whether to issue, suspend, revoke, refuse to renew, or amend conditions to licences such as hackney carriage and private hire vehicles where not delegated to officers, or the relevant officer has referred the application to the Licensing Committee. Separately, the Licensing Act 2003 Committee considers whether to grant, refuse or amend conditions to licences for premises that serve alcohol, late night refreshment and / or provide entertainment where the council has received representations from relevant authorities or interested parties.

- Employment. The Employment Committee appoints senior officers and decides terms of employment, determines employee procedures and implements the council's equal opportunities policy. A separate sub-committee hears employee appeals.

In addition to the regulatory committees above, there are two other committees in operation which are not public meetings, these being the Members' Allowances Committee and the Appeals Committee (Service Issues). The Members' Allowances Committee is an independent panel consisting of members of the public and is held annually. The committee recommends to council a scheme of payments to councillors in recognition of their public service and advises on appropriate levels of allowances to cover expenses. The Appeals Committee (Service Issues) can call upon the Appeals Panel for additional members to hear particular appeal cases. This will ensure that sufficient members are available to hear appeals, the members hearing an appeal must have received relevant training in the issue in question, and that members hearing an appeal were not involved in the original decision which is in question.

To ensure that professional advice on legal and financial matters is available and recorded well in advance of any decision and is used appropriately when decisions have significant legal or financial implications. The Council's decision making procedures specifically require the inclusion of legal and financial advice in reports on matters requiring an Executive decision.

As well as decisions made by Members, ongoing managerial decisions must be made to ensure the business is provided. Various principles, protocols, policies and procedures are in place to ensure there is a consistent treatment across the council.

Principle 5: Developing the capacity and capability of members and officers to be effective

In developing Members' skills, the Council has an overall development strategy for Members. This strategy states that the Council is committed to providing learning and development opportunities to assist members in developing and maintaining the skills and knowledge required in fulfilling their roles as members. The Council's stated commitment is to develop a supportive learning environment for member development to encourage members to make full use of learning and development support.

The council does provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. The Council has a comprehensive induction scheme for Members which covers all aspects of the council together with specific targeted training for key committee work. As and when new members are appointed, this is delivered. In February 2008, the Council issued an Audit Committee Handbook to assist in the development of audit committee members. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations. The line manager is responsible for ensuring that the induction process is tailored to the needs of the individual and for ensuring that the process is carried out thoroughly and effectively. Each induction must conform to the minimum standards set out in the Council's checklist.

The Head of Paid Service, Chief Financial Officer and Monitoring Officer are all given clear and specified roles within the Constitution. The Constitution provides that these officers will have the appropriate resources given to them in order to perform their statutory roles.

For officers the Council has comprehensive job descriptions and person specifications to ensure that staff have the skills to carry out those roles and thereafter the Council is committed in ensuring appropriate training for staff. Developing skills on a continuing basis to improve performance including the ability to scrutinise and challenge, and to recognise when outside expert advice is needed. The Council has a comprehensive review, Annual Performance and Development scheme, which ensures that performance is constantly being improved and monitored. Where capability issues are identified, appropriate processes are in place to try to resolve these.

A comprehensive business transformation programme is in place to improve / simplify the processes and procedures in place to make the council more efficient and accessible. This ongoing programme of events, once these are embedded, the council will be more effective.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

The Council has made clear to itself, all staff and the community to whom each part of the Council is accountable and for what. This is set out in the Council's Constitution.

It has a well developed communication strategy that sets out the channels of communication that are to be used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.

It uses a range of measurements, all dependent on the aims and objectives of the individual campaigns to measure their effectiveness. The Council also uses Best Value Performance Indicator information on satisfaction with communication with and from the Council as a measure of the effectiveness of its communications.

The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. This is demonstrated by the fact that the Council has well established methods of engaging with the community including:

- Citizens Panel;
- Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people;
- Employee forums / Joint consultative forum;
- Voluntary and community sector network;
- One-off consultation events;
- Public meetings.

All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis.

On an annual basis the Council publishes the Corporate Plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year. The backward looking section of the plan outlining information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.

Council employees also need to see accountability and the protection of their rights. The Council's confidential reporting policy (Whistleblowing) is set out in the Council's Constitution. The policy states that the Council is committed to the highest possible standards of openness, probity and accountability. The policy aims to:

- encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice,
- provide avenues for employees to raise those concerns and receive feedback on any action taken,
- ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied,
- reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith.

The policy sets out in detail the safeguards that apply. In addition, the Council has a range of effective policies and procedures including:

- Code of Conduct for Employees
- Health and Safety Policy
- Grievance Procedures
- Diversity and Equalities Policies
- Dignity at Work Policy

When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear and demonstrable to the public what happens to any feedback and the positive changes that are made as a result. All consultation activity carried out by the Council is registered on the Corporate Register of Consultation. The Council issues Consultation Guidance to all members which sets out clear processes to be followed as well as helping to identify the most appropriate methods of consultation and feedback, depending on the audience.

Review of Effectiveness

Peterborough 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Following new guidelines issued on governance by CIPFA / SOLACE, the Head of Internal Audit produced a revised Local Code of Governance. This was endorsed in March 2008.

Peterborough City Council has adopted the Leader and Cabinet model of political management under the Local Government Act 2000. Ultimate authority rests with the Council meeting as a corporate body ("Full Council") but policy in specific areas is delegated to Cabinet portfolio holders. Minutes of all meetings are freely available. The Council has a Conservative administration. This has operated effectively throughout the year, with difficult decisions being taken through formal routes, maintaining transparency in the process. Scrutiny Committee provides assurance across a wide range of corporate governance issues. It can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable it to consider whether the decision is

appropriate. As detailed above within the Governance Framework, various committees and Scrutiny Panels have been established to allow Members to establish "task and finish" groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet.

Member elections are conducted on a rolling basis over a four year cycle. This allows the electorate to approve the Council's policies and practices by re-electing Members who have displayed good governance credentials, and facilitates democratic accountability. It also presents an opportunity for a more diverse population representation on the Council. In recent years Peterborough has been subject to a number of cases of electoral fraud. Following a review of the internal processes, changes were successfully implemented during the May 2008 elections.

The Standards Committee enables member scrutiny to be undertaken in a formal setting. This committee reinforces the corporate governance credentials of the Council and ensures that infractions of the established governance procedures are examined. Each meeting receives reports from the Monitoring Officer and details of any referrals from the Standards Board for England. Other issues discussed during the year have included a new Code of Conduct for Members, a revised Local Code of Conduct in relation to Planning and Licensing, and the CRB checks for Members. Recent changes in legislation now allow the Standards Committee to assess complaints made against Members locally, and to enable this to happen, Peterborough has developed its own protocol in this area.

The Audit Committee is an established component of the corporate governance regime. It undertakes the core functions of an audit committee following CIPFA guidance outlined in the *Audit Committee - Practical Guidance for Local Authorities*. The committee meet regularly and reviews financial information including the annual statement of accounts and governance statement, quarterly internal audit performance reports, external audit reviews, risk management updates including reviews of the overarching strategy, and fraud related matters. Annually, the Internal and External Audit Plans are approved through the committee.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan, and from which the annual workload is identified. There are a number of key factors for assessing the degree of risk within each auditable area. These have been used in Internal Audit's calculation and are based upon the following factors: control environment, management arrangements, materiality, system complexity and corporate significance. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and / or chief officer. On a monthly basis, completed reports are also circulated to the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee. Each report includes recommendations for improvements that are included within an action plan (and graded as Critical, High, Medium or Low) and requires agreement or rejection by service manager and / or chief officers. The process includes follow up reviews of recommendations to ensure that they are acted upon, usually within six months. All audit reports are graded in terms of an assessment on the overall control environment in place within that system. Current opinion classifications are shown overleaf:

Full assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks
Significant assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks
Limited assurance (*)	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority
No assurance (*)	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives
<p>(*) Reports with these ratings are reported to the Audit Committee for member scrutiny</p> <p>A rating of No Assurance requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date.</p>	

The Internal Audit service is subject to regular inspection by PricewaterhouseCoopers, our external auditors, who place reliance on the work carried out by the section. During 2007 the Internal Audit service was subject to external review by PwC and this was followed up in January 2009. A number of recommendations were made and have been implemented.

The Head of Internal Audit provided an annual opinion on the status of the Council in terms of the governance and overall controls. For this year they have provided an unqualified opinion.

Risk management is handled through a range of mechanisms outlined in the previous section. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.

There are various sources of assurance the Council has gained in order to underpin its framework. These include:

- Assurance from Directors. A separate annual evaluation questionnaire is circulated to Executive Directors. Covering their strategic role, the questionnaire evaluates:
 - Policy and decision making;
 - Service delivery;
 - Strategic and Operational Risk Management;
 - Performance management;
 - Partnerships with other public bodies, voluntary and community organisations;
 - Financial and asset management;
 - Staff;
 - Information governance; and
 - The control environment.

- Assurance from Heads of Service. All Heads of Service are requested to complete an annual assurance statement which covers all aspects of their managerial role. This is used to confirm that corporate governance processes, risk and internal control systems have been operating within their areas of responsibility. It covers such areas as:
 - The control environment for establishment of principal statutory obligations and organisational objectives;
 - Identification of Principal Risks to Achievement of Objectives;
 - Identifying and Evaluating Key Controls to Manage Principal Risks; and
 - Obtaining Assurance on Effectiveness of Key Controls
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. During 2008, the Audit Commission undertook a comprehensive review of the workings of the Council. This included reviewing the Council's Direction of Travel; revisiting the Corporate Assessment Use of Resources position; and various value for money and compliance reviews. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2009 for the financial year 2007 / 2008, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 30 March 2009. The main conclusions from the Letter are:
 - Deadlines for the production and publishing of final accounts by 30 September 2008 were met, and an overall unqualified audit opinion provided;
 - An overall underspend on the budget was achieved in 2007 / 2008;
 - Continued progress in management arrangements relating to data quality, although a number of elements could be improved further, for example partnership working data quality;
 - Continued improvements in a number of Use of Resources Comprehensive Performance Assessment areas. In particular significant improvements in Internal Control since 2007;
 - The council maintained its score of "performing well" overall;
 - Significant challenges for future years include the move towards the Comprehensive Area Assessment; the economic downturn and its impact on the growth and regeneration programme; the transformation of practices within Children's Services; and the completion of major capital schemes.

The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee

Significant Governance Issues

The review of the effectiveness of the governance framework has identified some issues which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system. The issues were identified as a result of the review of arrangements and by the work of external and internal audit. Whilst there are no "significant" control deficiencies to report, the following are included as issues that may attract public interest.

The 2007 / 2008 Annual Governance Statement identified 5 key areas as issues to be addressed which have required attention to ensure continuous improvements are

delivered. Regular reports have been taken to Audit Committee providing progress against the agreed actions.

Governance Issues 2007/08 – Progress made:		
Activity	Area for Improvement	Lead Officer / Progress
2008-01	Management of the Private Finance Initiative (PFI)	<p>The Council signed up to a PFI for the transformation of secondary school education. Regular monitoring is required to ensure that the project delivers to its objectives and those risks are appropriately identified and mitigated.</p> <p>Director of Children Services</p> <p>Ongoing monitoring is undertaken of the PFI contract.</p> <p>Specific accounting treatment is maintained within the council's accounts to ensure correct recording of charges over the life of the contract.</p> <p>Ongoing.</p>
2008-02	Development of Local Area Agreements	<p>The authority is increasingly engaged in partnership working with both the public and private sector. There is an increased expectation in terms of establishing assurance on governance arrangements for the growing number of partnership and joint working activities.</p> <p>Original remit of Assistant Chief Executive. Lead Officer has reverted to the Deputy Chief Executive following a review of the senior management structure.</p> <p>Agreements have been established with each provider - whether public, private or voluntary sector. Continue to roll out the partnership protocols developed and the associated toolkit.</p> <p>Ongoing.</p>
2008-03	Business Continuity	<p>Business continuity is a risk for every business. The Council needs to ensure those services which are required to produce and test business continuity as well as (emergency) resilience plans, do so.</p> <p>Original remit Director of Environment and Community Services. Lead Officer has reverted to the Executive Director (Operations) following a review of the senior management structure.</p> <p>During 2007, an actual incident took place, the flooding of a key council building, resulting in a business continuity plan being put into action. Following this, a working group was set up to establish the lessons to be learnt, and any further changes required to ensure smoother delivery / mitigate any future disasters. Various developments and changes have been proposed and these have been communicated and endorsed by CMT.</p> <p>Ongoing business continuity and disaster recovery exercises are undertaken, the last being in December 2008, primarily in relation to the cessation of ICT systems / buildings. Further exercises based on different scenarios are planned on an ongoing basis.</p> <p>Ongoing.</p>
2008-04	Safeguarding electronic data	<p>Fundamental reviews of the ICT infrastructure during the year have established a clear blue print to ensure the protection of the interests of the council, its employees and the</p> <p>Executive Director (Resources)</p> <p>Whilst the council itself has not experienced any data losses, it is mindful of incidents in other public sector bodies. An incident team was created in October 2008 with the Primary Care Trust (and coordinated by them) following a potential issue within a family centre. Exemplary</p>

Governance Issues 2007/08 – Progress made:		
Activity	Area for Improvement	Lead Officer / Progress
	citizens of Peterborough.	<p>practice was followed.</p> <p>Flowing from this, various encryption arrangements have been put in place in relation to laptops within the Council and the use of USB data sticks has been restricted.</p> <p>Increased awareness has been made across the Council with the establishment of separate pages on Insite detailing practical advice on data security.</p> <p>Within the Council, a working group has been commissioned to look further in to the safe storage and transfer of data to authorised sources. The Council has to be compliant with a number of government initiatives, for example, Government Connect project by 31 March 2009, although the deadline for all councils has been extended to 30 September 2009. An action plan is in place to deliver, which includes changes to the IT architecture and councils policies. This is a time critical project to provide a secure environment for data exchanges. If the Council fails to meet the deadline, central government departments will cease to support information exchanges (in particular DWP).</p> <p>Ongoing.</p>
2008-05	Data quality	<p>Data quality arrangements were assessed as weak by the External Auditors.</p> <p>Executive Director (Resources)</p> <p>Data quality arrangements have improved, with the externally assessed score moving to a 3 (from 2). A Data Quality policy and strategy has been implemented and regularly reviews are undertaken of data quality and the establishment of expected standards by Performance Improvement.</p> <p>Regular monitoring reports are taken to CMT.</p>

The following have been identified as being key governance issues for action during 2009 / 2010.

Governance Issues 2008/09		
New Activity	Area for Improvement	Lead Officer
2009-01	<p>Credit crunch - lower income</p> <p>Direct impact from the credit crunch places pressure on the Council's ability to meet its Medium Term Financial Strategy and corporate priorities within allocated budgets.</p> <p>Budgets have been scrutinised to identify savings without cutting services. Ongoing monitoring of costs and income levels are required to ensure that budgetary pressures are identified on a timely basis throughout the year.</p>	<p>Executive Director (Resources)</p> <p>Monthly budgetary control reports to Corporate Management Team</p> <p>Quarterly reports to Cabinet</p>
2009-02	<p>Credit crunch - increase in</p> <p>There has been an economic downturn across the whole community, whether in the form of</p>	<p>Director of Adult Social Services and</p>

Governance Issues 2008/09			
New Activity		Area for Improvement	Lead Officer
	service requirements	unemployment, reduced wages, shorter working hours etc. Because of the impacts on social well-being, there is a real possibility that there will be an increase in the need for council services. Careful monitoring is required of any increased need for advice, counselling, mental health-type preventative services.	Performance Ongoing
2009-03	Credit crunch - impact on capital disposal	The Council has a number of high profile projects in progress. There is extensive public interest and resources in the capital programme are limited. The Council must ensure that resources and risks are managed and prioritised effectively and that the budget is not overspent.	Executive Director (Resources) The budget assumed a risk element for capital values and also the targets are closely monitored
2009-04	Collapse of Icelandic Banks and loss of investment	The Council undertook an immediate review of its investment arrangements following the failure of the Icelandic banks in October 2008, in which it has £3million invested. Separate reports have been taken to Cabinet and Scrutiny Committee covering the strategy. Ongoing updates to be provided.	Executive Director (Resources) Ongoing review of lending list
2009-05	Effective governance	Further enhance effective corporate governance arrangements. This will be achieved by reviewing internal structures and democratic decision making processes. This will ensure that there is more effective coordination of governance arrangements and strong governance is more clearly and easily integrated within corporate decision-making. Effective action is taken where non-compliance is found in either business process or legislation Enhance arrangements to identify, receive and evaluate reports from non-audit internal and external assurance providers identifying areas of weakness in controls and to ensure risks and recommendations are addressed.	Solicitor to the Council Ongoing
2009-06	Single status agreement	The Council has implemented the Single Status agreement which was made nationally between the National Joint Council for Local Government and Signatory Trade Unions in March 2008. A year on, the council is assured through an independent audit that its pay structure is now free of gender-based inequalities and therefore that the SSA has done its job. Nonetheless, there remain a number of specific appeals to consider, and litigation connected to "backward-looking" cases is progressing through the employment tribunals. The litigation itself and the awards that might be made should some cases succeed represent financial risk for the Council which is actively managed by a project board chaired by the Deputy Chief Executive with Human Resources, Financial and Legal attendance. The initial team of interims officers running the Job Evaluation process and SSA project has been replaced by a small in-house team funded from	Deputy Chief Executive Quarterly review

Governance Issues 2008/09			
New Activity		Area for Improvement	Lead Officer
		within the significantly reduced Human Resources budget that has been achieved.	
2009-07	External Audit recommendations	Ensure that the actions raised by External Audit in various reports are addressed	Executive Director (Resources) Ongoing reports to Audit Committee
2009-08	Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Deputy Chief Executive Monthly reports to Corporate and Departmental Management Teams
2009-09	Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Deputy Chief Executive Quarterly reports
2009-10	Internal Audit Recommendations	Ensure that the actions raised by Internal Audit in various reports are addressed (specific emphasis on LIMITED or NO ASSURANCE)	Executive Director (Resources) Quarterly reports to Audit Committee
2009-11	Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	Executive Director (Resources) Regular reports to Business Efficiency Panel
2009-12	Audit Letter - service performance	Need to ensure there is an Improvement in performance in revenues and benefits (as identified in Audit Letter)	Executive Director (Resources) The overall quality of the Benefits Service is maintained as EXCELLENT. Collection rates are closely monitored and ultimate collection rates are being achieved. Production of monthly performance reports
2009-13	Risk management	Operational risk management now resides within the Operations Directorate. There is an ongoing need to ensure that risk management is fully embedded at an operational level in service management, aligned to performance management and define risk appetite.	Executive Director (Operations) Quarterly refresh of risk registers

Otherwise, there are no corporately significant governance issues reported for the year ended 31 March 2009. Issues that would have a material effect on the accuracy of financial statements of the Council for the year ended 31 March 2009 have not been found during Internal Audit work.

The constant change environment in which the Council operates also requires on going review of our governance arrangements. The changes in financing arrangements, together with new methods of service delivery embraced by the Council bring with them new risks and control issues. The Council will continue to monitor change and take appropriate action to manage risk arising from future developments in service delivery.

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

Signed: _____

Gillian Beasley, Chief Executive

Date: _____

Signed: _____

Councillor Marco Cereste, Leader of the Council

Date: _____

Glossary

Accruals - The concept that revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are treated on an accruals basis with income and expenditure due as at 31 March brought into the accounts.

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

Authority – is a shortened name for ‘Local Authority’ – see below.

Balance Sheet - Fundamental to the understanding of a local authority’s financial position at the year-end. It shows the balances and reserves at an authority’s disposal and its long term indebtedness, and the fixed and net current assets employed in its operations.

Balances – The non-earmarked reserves of a local authority, which are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance for all the other services provided by the Council. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall of income. A local authority may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget (Medium Term Financial Strategy)- A statement of a local authority's plans for net revenue and capital expenditure over a specified period of time.

Capital Adjustment Account – This account was created at midnight on 31 March 2007 and 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 to reflect the cost of fixed 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 a local authority in providing its services beyond the year of account.

Capital Financing Account – This account existed prior to 2007/08 to hold the difference between amounts provided for depreciation of fixed assets and that required to be charged to revenue to repay the principal element of external loans. The balance on this account as at 31 March 2007 was combined with balance on the Fixed Asset Restatement Account (FARA) to form the new Capital Adjustment Account.

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

Capital Receipts - Proceeds from the sale of fixed assets, e.g. land and buildings. The proceeds can be used to finance new capital expenditure or repay debt. It cannot be used to finance revenue expenditure.

Collection Fund - A statutory fund in which a local authority records transactions for Council Tax, Non-Domestic (Business) Rates and residual Community Charges

Community Assets - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Council – means ‘Peterborough City Council’ specifically. The Council is a local authority and this term is used in these definitions, and in the Statement of Accounts’, to define any or all Councils.

Creditor - An amount owed by a local authority for work done, goods received or services rendered to the authority 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, e.g. creditor, cash overdrawn.

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

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

Dedicated Schools Grant (DSG) – grant received from Department for Children, Schools and Families to fund schools related expenditure.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, time or obsolescence through technological or other changes.

Derecognition – The term used for 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 Income and Expenditure Account. This can be used to supplement a local authority's other capital resources.

Effective Rate of Interest – The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity Instrument – A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g an equity share in a company).

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

Financing Charges - Annual charges to the Income and Expenditure Account of a local authority to cover the interest on, and repayment of, loans raised for capital expenditure.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset

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

Financial Instrument – 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.

Fixed Asset - An asset which has value beyond one financial year

FRS 17 - This is a Financial Reporting Standard (FRS) now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in 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.

General Fund - The main revenue account of a local authority which summarises the cost of all services provided by the authority which are paid for from Council Tax, government grant and other income.

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

Impairment – The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Infrastructure Assets - Fixed assets that are inalienable, ie may not be sold, transferred or assigned to another. These include facilities required to enable other developments to take place e.g. roads and street lighting.

Income and Expenditure Account - reports the income and expenditure for all the Council's services and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Investment Properties - Interest in land and/or buildings in respect of which construction work and development have been completed, and which are held for their investment potential or to generate income.

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

Local Authority – is a corporate body, established by statute, to undertake specific local functions. It is governed by Members (also known as Councillors) who are either elected or appointed. Peterborough City Council is a 'local authority'. In these definitions, the term 'local authority' is used to describe one or all Councils generally. Sometimes, this is shortened to just 'authority'.

Minimum Revenue Provision - This is the minimum amount which must be charged to a local authority's Income and Expenditure Account and set aside to repay debt. It is calculated by charging 4% on all borrowing up to the 1st April 2007 and for any new supported borrowing. For the remaining unsupported borrowing, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

National Non-Domestic Rates (NNDR) - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. This is collected by local authorities and paid to the Government who then redistribute the money to authorities based on a standard amount per head.

Non-Operational Assets - Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases - Leases under which the ownership of the asset remains with the lessor.

Operational Assets - Fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PFI Deferred Consideration Account – this account contains capital expenditure incurred as part of the PFI contract as a prepayment. These amounts are charged to the Income and Expenditure Account over the life of the contract.

Pooling – The term used for the calculation and payment of a proportion of housing capital receipts into a national pool for redistribution.

Precept - The amount a local authority, who cannot levy a council tax directly on the public (eg Fire and Police authorities, Parish council), requires it to be collected on its behalf.

Provisions - are 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

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 a local authority incurs in providing services (as opposed to capital expenditure).

Revenue Support Grant (RSG) - A general grant paid by the government and recognised in the General Fund to help finance local authority revenue expenditure.

Statement of Movement on the General Fund Balance – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on council tax, giving a final General Fund balance as at the end of the financial year.

Statement on Recognised Gains and Losses – brings together all the gains and losses of the Council.

Supported borrowing - the amount of borrowing assumed by Government in the calculation of their grant payment.

Unsupported / Prudential borrowing – the amount of borrowing for which there is no grant to support its revenue impact.

VAT Shelter – The Council transferred its housing stock to Cross Key Homes in October 2004. Housing Associations are at a disadvantage compared to Local Authorities because they are not able to recover VAT on their expenditure. The VAT shelter agreement enables the VAT on capital works to be reclaimed and the benefit split equally between the Council and Cross Keys. This income is included within the Income and Expenditure account.

Your Statement of Accounts

Now that you have read the Statement of Accounts we would like to know what you think of it. Did you find it easy or difficult to read? Did it provide the information that you were looking for? Did it contain useful and interesting information about the Council and the way it conducts its business?

Perhaps you are a student or a teacher and have used this Statement of Accounts as a basis for an educational project or you are involved in activities in partnership with the Council or you are just an interested member of the public: we value your comments equally, so do not be afraid to make them.

We want to make this document widely available, understandable and useful to the people of Peterborough and other stakeholders. Over the years we have reduced the amount of jargon that it contains and we have tried to increase the number of explanatory notes but we know that we need to do more. So, don't be shy. We would like to hear from you!

Please send your comments to the Head of Strategic Finance, Peterborough City Council, Manor Drive, Paston Parkway, Peterborough, PE4 7AP. (e-mail FinanceManagementTeam@peterborough.gov.uk)

Thank you.

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Prudential Indicators for 2008/09

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

- (a) capital expenditure plans are affordable,
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

The Code requires each authority to set a range of Prudential Indicators for the next financial year and the two succeeding ones. In this appendix, the Indicators applicable for 2008/09 are set out, together with, where applicable, any impact on 2009/10.

1. Indicator: Estimated and Actual Capital Expenditure 2008/09

This indicator is the estimated and actual capital expenditure for the year based on the Capital Programme for that period.

Estimate	£76.0m (Medium Term Financial Strategy 27 February 2008)
Expected	£73.5m (Medium Term Financial Strategy 25 February 2009)
Actual	£57.8m

2. Indicator: Prudential Indicators of Affordability

Affordability (1): Indicator: Ratio of financing costs to net revenue stream

The net revenue stream is the authority's net revenue budget funded from Council Tax and Government grants. The actual revenue financing was £263.2m, including DSG. Actual financing costs were £11.5m. Ratio:

Estimate 2008/09	4.20%
Actual 2008/09	4.36%

Affordability (2): Indicator: Impact on Council Tax

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term. The calculation of this indicator has been done on the basis of the amount of the capital programme that was financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget. The revenue costs are divided by the estimated Council Taxbase for the year:

	Gross capital financing & running costs £'000	Council Taxbase Band D	Impact on Council Tax £
Estimate 2008/09	1,784	54,231	32.89
Actual 2008/09	(1,043)	54,245	(19.23)

3. Indicator: Estimated Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. It is calculated from various capital balances in the Council's Balance Sheet. The table below shows the base estimate CFR for 2008/09, the projected CFR for 2008/09 and the actual year-end figure.

	CFR
Estimate 2008/09	£140.5m
Expected 2008/09	£146.7m
Actual 2008/09	£145.9m

The Council is required to make a "minimum revenue provision" (MRP) for repayment of debt which must be charged to a local authority's Income and Expenditure Account and set aside for this purpose. A new statutory duty introduced in 2008 requires the local authority to determine an amount of MRP that it considers to be prudent. Previously local authorities were obliged to set aside a MRP at a fixed rate of 4% of the Capital Financing Requirement (CFR) outstanding at the beginning of each financial year.

Effective from 2008/09 the Council adopted a method of calculating MRP as follows:

- Historic Capital Financing Requirement (debt liability) incurred prior to 1st April 2007, and supported borrowing (by grant) since then, is charged at 4%;
- expenditure funded by unsupported borrowing within the debt liability at 31st March 2008, and subsequent years, is charged by equal annual instalments over the estimated life of the asset created.

4. Indicators: Authorised Limit and Operational Boundary for External Debt

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent". The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year. The limits also incorporated margins to allow for exceptional short-term movements in the Council's cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

The Limits for External Debt:

Authorised Limits 2008/09:

£194m for borrowing, and
£2m for other long term liabilities.

Operational Boundary 2008/09:

£150m for borrowing, and
£1m for other long term liabilities.

Actual 2008/09:

£134.5 for borrowing, and
£59k for other long term liabilities.

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However the Council can revise the limit during the course of the year.

"Other long term liabilities" include items that would appear on the balance sheet of the Council under that heading. For example, the capital cost of finance leases would be included.

The Operational Boundary is a measure of the day to day likely borrowing for the Council, whereas the Authorised Limit is a maximum limit. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated, as a potential symptom of a more serious financial problem.

5. Indicator: Adoption of the CIPFA Code of Treasury Management in the Public Services

The Council adopted the CIPFA Code of Treasury Management in the Public Services in 2002. Treasury Management Practices (TMP's) have been established with advice from Sector Treasury Services and applied to the Council's treasury management activities.

6. Indicator: Interest Rate Exposure

This group of indicators is designed to ensure that the Council limits its exposure to the effects of changes in interest rates. These prudential indicators relate to both fixed interest rates and variable interest rates and are referred to respectively as the upper limits on fixed and variable interest rate exposures. There is no requirement in the code to set lower limits; however, given the risks associated with having excessively high relatively short fixed, or variable rate borrowing, lower limits are set locally for longer maturing fixed rate borrowing.

Variable Rate Exposure

The limit (expressed as the value of total borrowing less investments) was as follows:

Upper Limit 2008/09	
Estimate £m	Actual £m
35.0	0

Fixed Interest Rate Exposure

The limit (expressed as the value of total borrowing less investments) was as follows:

	Upper Limit 2008/09	
	Estimate £m	Actual £m
Borrowing	194.0	134.5
Investment	-	(48.5)
Net Borrowing	194.0	86.0

The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the great majority of borrowing was at fixed rates to provide budget certainty.

7. Indicator: Prudential limits for the maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The limits were as follows:

Period	Upper Limit	Lower Limit	Actual
	Estimate	Estimate	
Under 12 months	30%	0%	13%
1 - 2 years	30%	0%	0%
2 - 5 years	75%	0%	1%
5 - 10 years	80%	0%	0%
over 10 years	100%	10%	86%

8. Indicator: Limit on Principal Sums Invested for Periods Longer than 364 Days

Authorities are able to invest for longer than 364 days, which can be advantageous if higher rates are available, however it would be unwise to lend a disproportionate amount of cash for too long a period.

The limit on the amount of investments deposited for more than 1 year:

Approved Amount	£25.0 million.
Actual (at 31 st March 2009)	£7.0 million.

The approved limit was not exceeded during the year.

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Your Peterborough Consultation on Summary Accounts

8 YourPeterborough

Where we spend **YOUR** money

Have you always wondered how much we spend on roads, street cleaning or young people's services? Or would you like to know how much went on tourism, cultural and leisure services? If you tell us which services you are most interested in finding out more about you could win £30 worth of shopping vouchers for a store of your choice.



Every year we produce a full statement of our accounts outlining our current financial position. The document includes information about the grants we've been awarded, the income we've received, the money we've borrowed and how much has been spent on the services we provide for you.

For those residents who may be put off reading the full version of this document by the financial terminology, we also produce a much easier to understand summary of accounts. The summary of accounts for 2007/08 is available to read and download from our website www.peterborough.gov.uk. We will soon be putting together our summary of accounts for 2008/09.

We want to make sure it includes all the information that matters most to you and therefore we are asking readers to fill in the questionnaire below to tell us what you want to see.

Do you want to know how much we spent last year on street cleaning, recycling or waste collection? Or would you like to see how much money went on libraries, sports centres and tourism? The most popular items will be included in the summary.

To keep the summary short and to make it really accessible, we will only include details of the service areas you want to know about. We also use pie charts and tables to make it as clear as possible to understand.

We will also continue to produce our full statement for those who want more detailed information about our accounts.

For more information call financial accounting manager Kirsty Nutton on (01733) 384590

Please fill in this questionnaire and return it to the address provided below.
If you include your name and address you will be entered into a free prize draw where you could
WIN £30 OF SHOPPING VOUCHERS

Which of the following areas would like to see included in the summary? (Please tick up to 10 boxes)

- | | | |
|---|--|---|
| <input type="checkbox"/> Street lighting | <input type="checkbox"/> Street cleaning | <input type="checkbox"/> Crime reduction |
| <input type="checkbox"/> Waste collection | <input type="checkbox"/> Council tax | <input type="checkbox"/> Sports centres |
| <input type="checkbox"/> Recycling | <input type="checkbox"/> Road safety | <input type="checkbox"/> Public transport |
| <input type="checkbox"/> Schools | <input type="checkbox"/> Pollution | <input type="checkbox"/> Social care |
| <input type="checkbox"/> Housing | <input type="checkbox"/> Play areas | <input type="checkbox"/> Road maintenance |
| <input type="checkbox"/> Parking | <input type="checkbox"/> Tourism | <input type="checkbox"/> Libraries |

How would you like to see this information presented?
 (tick all that apply)

- Tables Explanatory text
 Graphs and pie charts

Where would you like to see this information available?
 (tick all that apply)

- Council's website Libraries Council buildings

Would you like to see an annual report which shows the council's financial performance for the year?

- Yes No

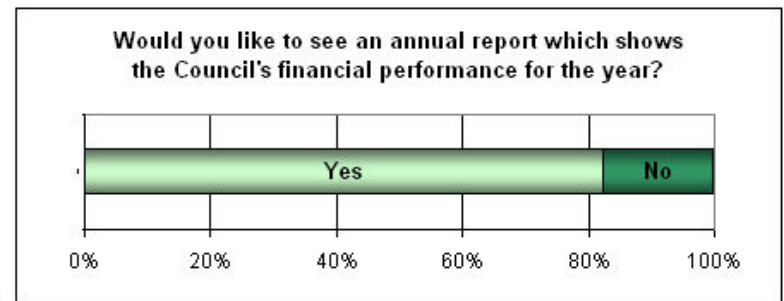
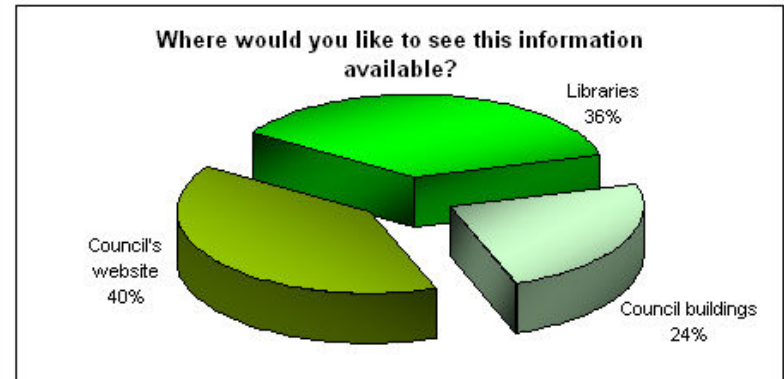
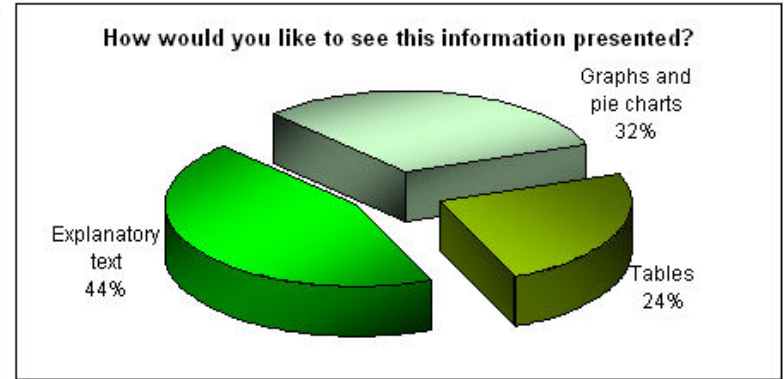
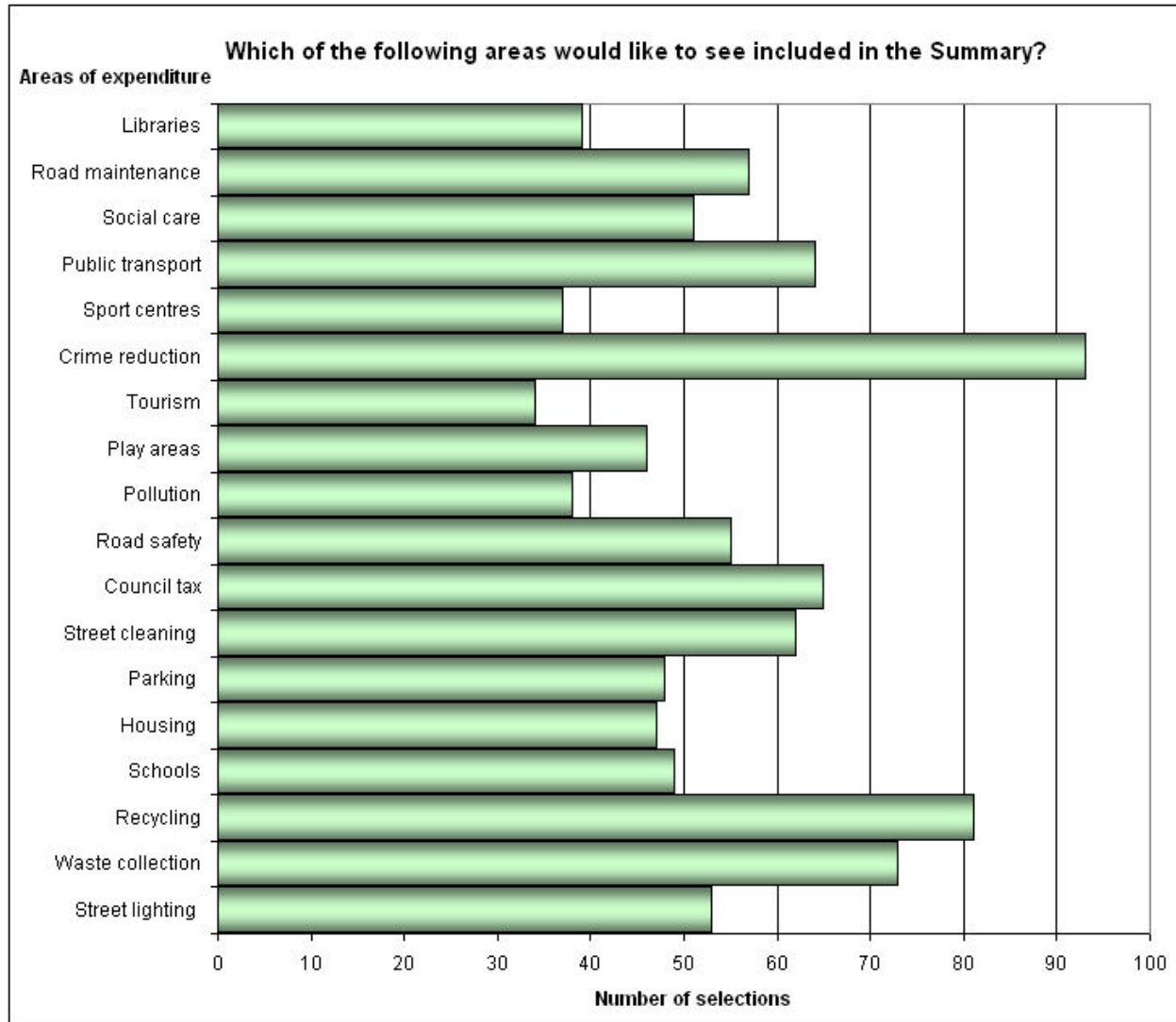
Are there any other items of information you would like to see included in the summary or do you have any comments?

Name: _____

Address: _____

Please return your completed questionnaire to: The Editor, Your Peterborough Questionnaire, Peterborough City Council, FREEPOST PE94, Peterborough PE1 1BR. The closing date for responses is Friday 10 July 2009.

Initial Responses Received As At 17th June 2009 (Closing Date 10th July 2009)



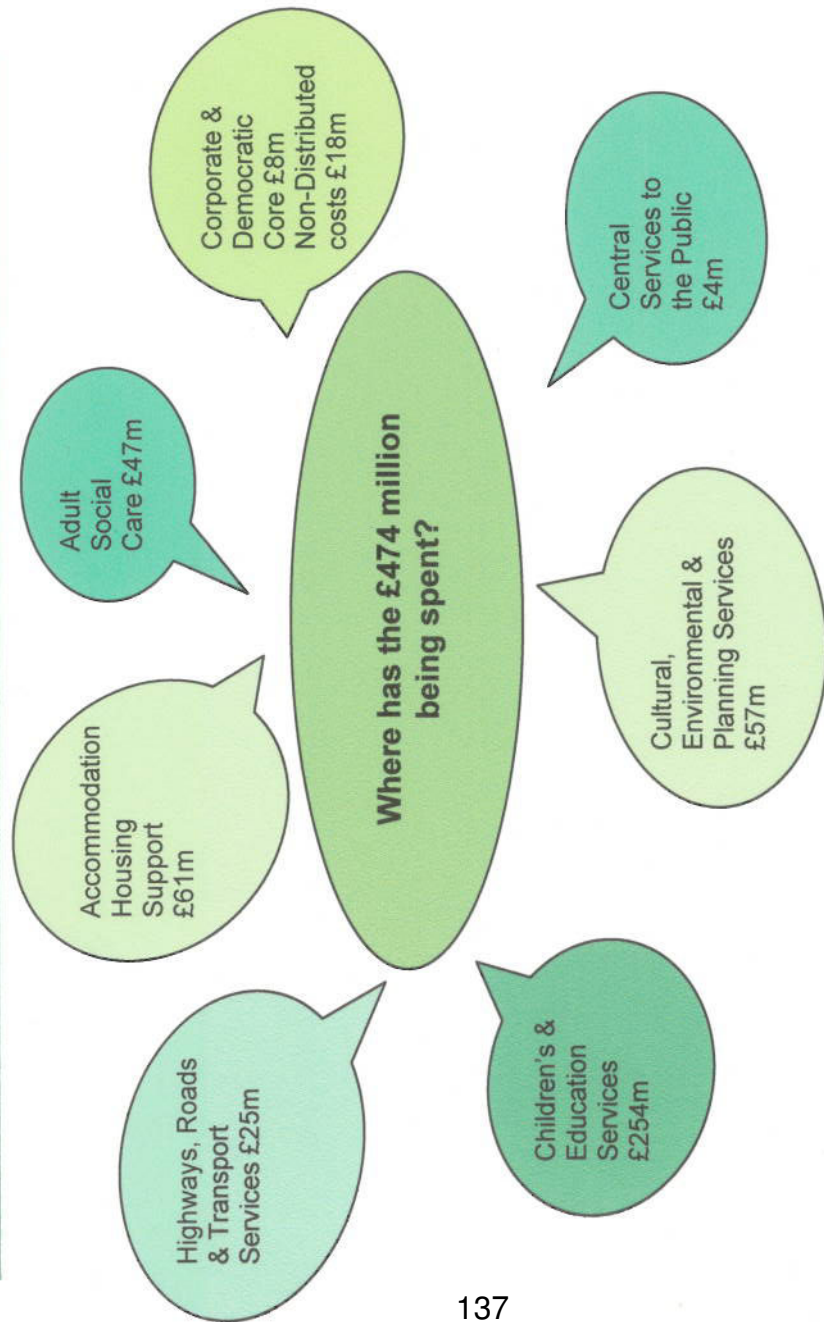
SUMMARY OF ACCOUNTS 2007/08

Introduction

This Summary provides an overview of the Council's financial performance for the 2007/08 financial year. Please follow the link for a complete version of the Council's Statement of Accounts, <http://www.peterborough.gov.uk/page-3992>

How much was spent providing Council Services?

During 2007/08 the Council spent £474 million on providing services to the public in Peterborough. The chart below shows the amount spent for each of the Council's main services.



So what is the Council's financial condition at the end of 2007/08?

The balance sheet shows the financial position of the Council as at 31st March 2008

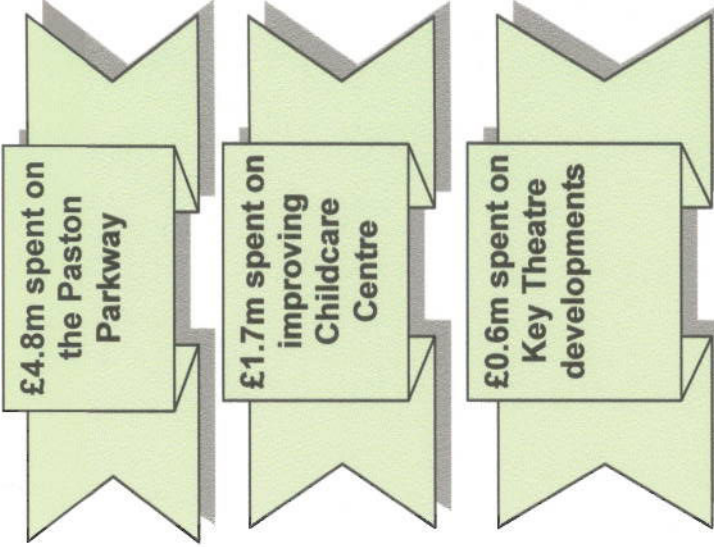
Assets-Owned	£m
Land & Buildings	422
Money owed to the Council	57
Investment, Stock & Bank balance	64
543	
Liabilities-owes	
Long term borrowing	194
Long term pension liability	63
Money owed by the Council	101
358	
Assets less liabilities	185
Funded by:	
Capital & Accounting reserves	147
General Balances	15
Earmarked reserves	23
185	

Where does the Council receive its money from?

More than half of the Council's money comes directly from Government grants. The chart below illustrates the Council's funding sources.

- Government Grants** - provided to support a range of specific projects / services
- Redistributed Business Rates** - all income is paid into a National Pool, which the Government shares out on a population basis
- Sales, Fees & Charges** - money received by the Council for its services
- Council Tax** - paid by the people in Peterborough

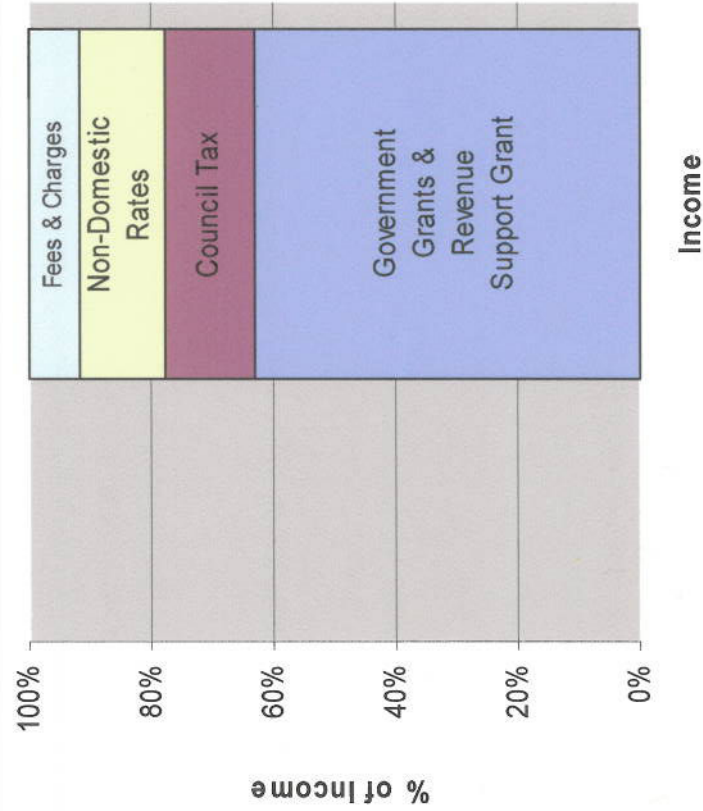
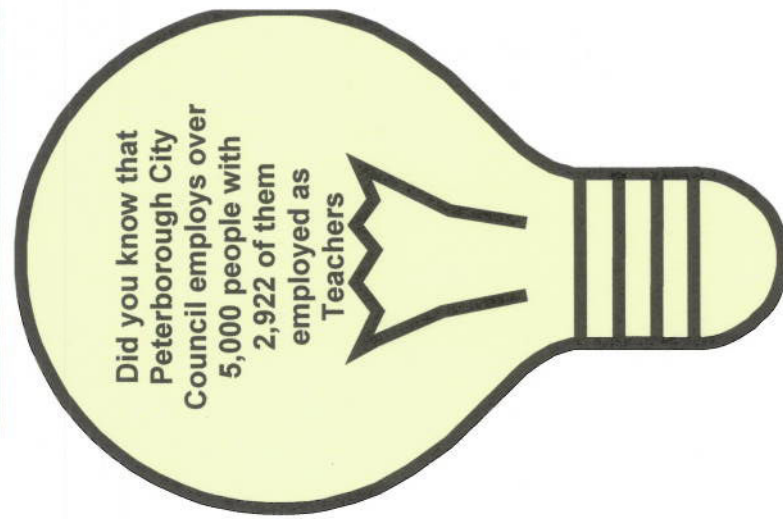
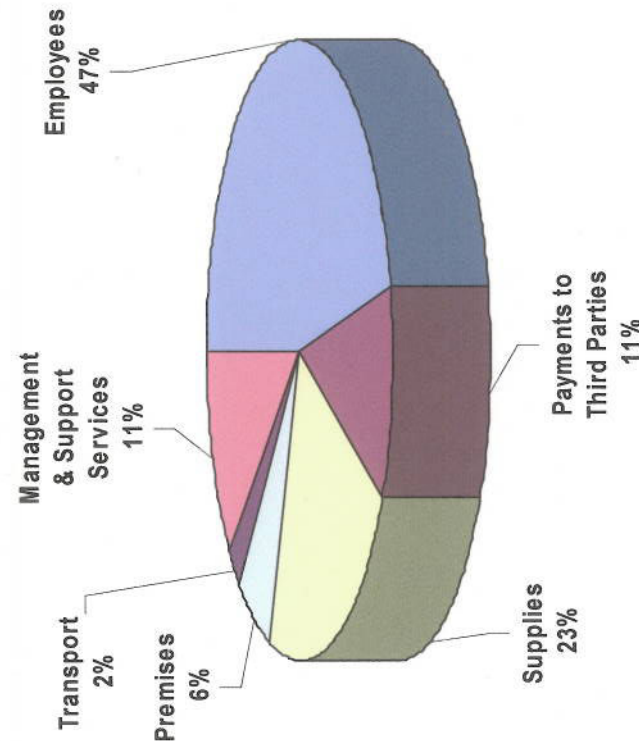
In 2007/08 £80m was spent on new or enhancing current Council facilities. Some of the major schemes include:



What types of expenditure did this cover?

The main expenditure type is for employees, followed by money spent on suppliers. The chart opposite shows the percentages spent on each of the main expenditure types.

Types of Expenditure (in £ millions)



Need to know more? Would like to provide feedback?

If you would like more information or wish to offer any feedback on this summary or on the Council's accounts, please email ask@peterborough.gov.uk, or telephone 01733 747474

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CABINET	AGENDA ITEM No. 5.3
6 July 2009	PUBLIC REPORT

Contact Officer:	Lindsay Tomlinson, Senior Governance Officer	Tel. 452238
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OUTCOME OF PETITIONS

R E C O M M E N D A T I O N S	
FROM : Directors	
<p>1. This report recommends that the action taken in respect of the petitions presented to full Council be noted.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following submission of petitions to Council.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to update Cabinet on the progress being made in response to the petitions in accordance with Standing Order 10.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 – ‘to take collective responsibility for the delivery within the Council's Major Policy and Budget Framework’.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. PETITIONS PRESENTED TO FULL COUNCIL ON 8 OCTOBER 2008 AND 8 APRIL 2009

4.1 PETITION – REMOVAL OF ISLANDS ON WATERLOO ROAD

This petition was presented to Council on 8 October 2008 by Councillor Kreling and expressed concerns about the installation of traffic islands on Waterloo Road which it was claimed had been done without public consultation or the support of the community. The petitioners requested the removal of the islands.

The Council’s Head of Environment, Transport and Engineering has responded as follows:

“I refer to the above and can only apologise for the lack of a formal response to the petition submitted in October 2008. I am responding as an officer of the Council duly delegated to respond on the matter and trust that you will convey the contents of this reply to the petitioners.

The build outs within Waterloo Road are developer lead rather than any schemes PCC have required or implemented. Planning permission was granted, I believe in 2003, for the residential development now named Century Square. During that application, it was evident

that the existing vehicle to vehicle visibility splays at the point of the new access on to Waterloo Road were unacceptable to the Local highway Authority (LHA). As such, the applicant put forward a proposal to provide a build out at the entrance to the development off Waterloo Road, to enable adequate vehicle to vehicle visibility to be achieved. This was unacceptable to the LHA, as a stand alone build out was considered fundamentally unsafe. The applicant was advised that a scheme of build outs (formalising the existing parking and creating a form of traffic calming by the narrowing of the available carriageway width) would be required, including a Stage 1 Safety Audit. This was presented as part of the application and after some revisions, was found acceptable to the LHA, subject to detailed design and a Stage 2 Safety Audit (to be submitted under the Section 278 application).

During that planning application, residents of Waterloo Road would have been consulted and would have been given the opportunity to make comments to the Planning Department.

Once the Section 278 application was received and being dealt with, the developer's construction company (SDC) and agent/consultant were both informed that it would be in their best interest to consult with the residents of Waterloo Road, or at minimum, keep them up to date. I understand from SDC that they have posted regular newsletters to the residents of Waterloo Road, although it should be noted that this is not a statutory requirement upon PCC or the developer. PCC do recommend this in order that good relationships are gained and maintained throughout the development.

Whilst I sympathise with residents, the design of the scheme did take into account those that have off-street parking and those that do not. As mentioned above, the time to raise concerns would have been at the planning stage and if the resident had purchased the property post planning permission, then the onus would be on their solicitor dealing with the purchase to provide the purchaser with full details of the planning permission.

It is the view of the LHA that the build outs should not be removed as they are required in order to ultimately provide safe vehicle to vehicle visibility from the new residential development on to Waterloo Road."

4.2 PETITION - PARKING OF VEHICLES FROM EUROCAR'S IN FAIRFIELD ROAD AND GLEBE ROAD

This petition was presented to Council on 8 October 2008 by Councillor Lee and concerned issues regarding the parking of vehicles from Eurocars in nearby residential streets.

The Council's Head of Environment, Transport and Engineering has responded as follows:

"I refer to the above and can only apologise for the lack of a formal response to the petition submitted in October 2008. I am responding as an officer of the Council duly delegated to respond on the matter and trust that you will convey the contents of this reply to the petitioners.

I have spoken to colleagues in planning enforcement, who have confirmed that the business is operating in accordance with its long standing planning permission. Unfortunately at the time the planning permission was granted, there were no conditions placed on the provision of parking, either within their site or in the surrounding streets. Consequently, planning enforcement has very little power to tackle the situation regarding the operation of the business.

The parking issues along Glebe Road have been ongoing and well documented for a number of years. The issues have ranged from parking for workers at the former Elliott factory, the parking associated with Peterborough United Football Club on match days and also more recently with the Eurocar business and the parking of their rental vehicles.

The Council has previously consulted with the residents of both Glebe Road and Fairfield Road proposing such measures as residential parking. On both occasions there was an

overwhelming majority of residents who did not wish to have their parking restricted in this way, and the proposals were subsequently withdrawn.

The FA Cup replay against West Bromwich Albion had a considerable impact on both parking and traffic flows in the area, which may have resulted in some residents changing their views on some form of restricted parking. As Peterborough United Football Club continues to be successful, the parking problems in the surrounding streets have worsened on match days and thus impacting on emergency service access to the football ground.

I am therefore exploring potential measures with the Football Club Safety Group with a view to tackling the parking issues and how they affect emergency access arrangements. Clearly any measures introduced must also consider the needs of the residents on match days, otherwise there will be no support for the proposals at a local level. I am also mindful that any parking restrictions introduced will result in the displacement of parked vehicles to neighbouring streets resulting in the generation of a similar problem in previously unaffected streets. At this stage I am unable to confirm when the proposals would be consulted upon but trust that residents will appreciate the chance to influence their local community.”

4.3 **PETITION – ERECTION OF A YOUTH SHELTER AT FULBRIDGE RECREATION GROUND**

This petition was presented to Council on 8 April 2009 by Councillor Sharp and was in opposition to a proposed youth shelter on Fulbridge recreation ground.

The Council’s Head of Neighbourhoods has responded as follows:

“The suggestion to install a youth shelter at this recreation ground came as a result of a group of young people securing youth bank money to improve the facilities at the pavilion and recreation ground. A multi agency working group consisting of:

- Greater Dogsthorpe Partnership
- Peterborough City Council Young People’s Service
- North Ward Councillors
- Fulbridge Resident Association
- Peterborough City Council Recreation Services
- Resident representative

was formed to support the young people through the completion of their project and, from the outset, key services were consulted and a comprehensive engagement plan was put into place. This approach was designed to ensure that the local young people and residents felt fully informed and involved in the development procedures.

It is accepted that there can be a negative perception around youth shelters amongst residents, however research shows that if installed in the correct position they are often successful at reducing anti-social behaviour and fear of crime. Cambridgeshire Constabulary comment: “... have taken account of the proposal to install a youth shelter in the area of the multi-use games area and fully support this provision for the young people in the area. I am hopeful that such a provision is likely to reduce the problems which some young people are causing”.

The engagement plan was designed to give local people as much information as possible about the misconceptions regarding youth shelters to ease any concerns there may be. Young people involved in the project, supported by local officers, spoke to the majority of residents face to face about the development plans for the park. In summary the results from the community engagement were positive, with a total of 81.4% feeling positive about the installation of a youth shelter at Fulbridge Recreation Ground.

Given the majority of residents are in favour of the youth shelter, the project team would therefore like to proceed with the installation of the shelter but will continue to closely monitor its use.”

5. REASONS FOR RECOMMENDATIONS

- 5.1 Standing Orders require that Council receive a report about the action taken on petitions. As the petition presented in this report has been dealt with by Cabinet Members or officers it is appropriate for the action to be reported in this way so that it will be presented in the Executive’s report to Council.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 Any alternative options would require an amendment to the Council’s Constitution to remove the requirement to report to Council.

7. IMPLICATIONS

- 7.1 There are no legal or Human Rights Act implications.

8. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 8.1 The Council’s Constitution, petitions presented to Peterborough City Council and responses to those petitions from officers.