

PETERBOROUGH



CITY COUNCIL

# Statement of Accounts

## 2011/12



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# Peterborough City Council

## Statement of Accounts 2011/12

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# Explanatory Foreword

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## 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 2011 and The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code).

## 2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2011/12. The 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* – sets out the responsibilities of the Council and the chief finance officer in respect of the Statement of Accounts
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council

- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2012
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2011/12
- *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund and Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council

## 3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement on page 9 shows the gross revenue expenditure and income together with net expenditure for 2011/12 compared with 2010/11 equivalents. The Comprehensive Income and Expenditure Statement is analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's organisational structures, on which the estimates for the year and budget monitoring during the year are based,

do not correlate directly with SeRCOP. However, Note 16 page 25, demonstrates the presentational differences between these reporting requirements.

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

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 following table compares the budget to the actual net expenditure based upon the Council's organisational structure. Figures in brackets indicate a favourable variance. Significant pressures in adult social care were mostly offset by savings elsewhere as a result of positive management action, but overall the Council over spent by £678k, a variance of less than 0.5% of budget. This was covered by reserves.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive Office	9,352	7,513	(1,839)
Children's Services	29,256	29,286	30
Operations	21,012	20,261	( 751)
Strategic Resources	52,355	51,123	(1,232)
Adult Social Care	38,058	46,446	8,388
Corporate Items	-	(3,918)	(3,918)
<b>Total Council Expenditure</b>	<b>150,033</b>	<b>150,711</b>	<b>678</b>
Transfer from earmarked reserve			(678)
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
<b>General Fund Balance Carried Forward</b>			<b>6,000</b>

The financing of the budget was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	18,578
Distribution from National Non Domestic Rates	60,102
Demand on the Collection Fund	61,726
Capitalisation Direction	470
Reserves	9,157
<b>Total Financing</b>	<b>150,033</b>

#### Balances

At 31 March 2012, the General Fund working balance of the Council stood at £6m which is in line with the Medium Term Financial Strategy (MTFS).

In addition the Schools balances totalled £6.8m at 31 March 2012, compared to £6.7m at 31 March 2011.

#### 4 Capital Expenditure

The main elements of capital expenditure, compared with the revised February 2012 budget after slippage, are shown below.

Capital Expenditure	Budget per MTFS 2011 Approved Budget £000	2011/12 Budget inc. slippage from 2010/11 £000	Revised Budget at February 2012 £000	Outturn £000
Chief Executives	12,115	19,519	3,895	3,002
Children's Services	52,824	56,277	46,345	45,394
Operations	19,048	20,457	16,397	16,091
Strategic Resources	20,854	23,303	15,816	12,430
Adult Social Care	3,965	4,189	1,293	390
<b>Total</b>	<b>108,806</b>	<b>123,745</b>	<b>83,746</b>	<b>77,307</b>
<b>Financed by:</b>				
External Sources	45,407	53,733	47,880	41,354
Capital Receipts	19,034	19,034	9,878	7,050
Borrowing	44,365	50,978	25,988	28,903
<b>Total</b>	<b>108,806</b>	<b>123,745</b>	<b>83,746</b>	<b>77,307</b>

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

#### 5 External Borrowings and Investments

At 31 March 2012 the Council had net borrowings including cash and outstanding interest of £140.5m (£117.1m in 2010/11).

2010/11 £m		2011/12 £m
1.7	Short Term Borrowing*	10.0
134.6	Long Term Borrowing*	134.6
(19.2)	Investments	(4.1)
<b>117.1</b>	<b>Net Borrowing</b>	<b>140.5</b>

\*No new long term borrowing, or rescheduling of debt, was undertaken in 2011/12 (no new borrowing in 2010/11). However, £10m was borrowed in the short term in the latter months of the financial year for cash flow purposes. This reflects the Treasury Management policy per the MTFS, as it continues to be more cost effective to run down the Council's cash balances.

#### 6 Change in Accounting Policies

For 2011/12 the Code has introduced a change in accounting policy relating to the treatment of heritage assets held by the Council. The Council now discloses separately a new class of asset, heritage assets in Note 19. These assets are classified as those principally held for their contribution to knowledge or culture. As the Code has amended the valuation requirements of heritage assets, the Council has been able to recognise such assets using insurance valuations, see Note 19 for further information.

## 7 Changes to Service Delivery and Other Developments

In November 2011 the Council entered into a 10 year partnership arrangement with Serco that is aimed at improving efficiency and effectiveness of a range of council services. These services include revenues and benefits service, payroll, collection of Council Tax, business transformation, procurement, strategic property and customer services.

From the 1 March 2012 the Council has also taken back the direct management and commissioning of Adult Social Care following the end of the Partnership Agreement with NHS Peterborough. This change includes a range of services such as community social work teams undertaking care assessments, services for older people, occupational health and learning disability services.

In the summer of 2011 the Council's Cabinet agreed for the Council to establish an Energy Services Company (ESCo). The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. Whilst still in its infancy for 2011/12, this company, Blue Sky Peterborough Ltd, will support Peterborough's status as Environment Capital and help the Council achieve the target reduction in carbon emissions.

## 8 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 International Accounting Standard 19: Employee Benefits (IAS19).

Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has increased during 2011/12, from £145.3m in 2010/11 to £187.3m. The change of £41.9m is largely a result of:

- falling bond yields
- poor asset returns

The projected pension expense for the next year has also fallen for the same reasons.

The future year's employers' contributions are factored in to Medium Term Financial Strategy (MTFS) and refreshed annually.

The Council's employer's contribution to the Fund was maintained at 17.6% in 2011/12 based on the advice from the independent Actuary. This percentage was reviewed as part of the triennial actuarial valuation during 2010. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. Further details can be found in Note 7, page 16.

## 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 its workings.

The Council approved the revenue and capital budget requirement for 2011/12 in February 2011. At that time it was anticipated that saving plans that were in place would deliver an under spend for the year which would help offset future years grant reductions announced by the Coalition Government.

During the year however, the Council experienced increased demand for services in both adult and children's social care services.

As a result of the forecast overspend, the Council introduced a number of management actions throughout the year to address these financial challenges, including spend only on business critical activities, and the re-profiling of capital investments. The Council was also able to benefit from better waste recycling rates which reduced landfill costs, and experience a more favourable position of some traded service areas.

The Council has closely monitored and assessed the impact of these pressures, along with decisions made in respect of any actions taken to improve the year-end position, in setting its

budget for 2012/13. The costs which have been identified as continuing pressures have been considered as part of setting the MTFS.

The Council's approach remains founded on the basis of the Council being efficient, effective and accessible. The MTFS is based on the philosophy of:

*"Minimising overheads, reducing bureaucracy and improving value for money to ensure that resources are available to improve front line service outcomes to the community whilst ensuring the impact on council tax levels is as low as possible".*

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 - Strategic Resources



# Independent Auditor's Report to the Members of Peterborough City Council

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## Opinion on the financial statements

Page will be updated with audit report following completion of external audit – September 2012.

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Date: \_\_\_\_\_  
\_\_\_\_\_

Julian Rickett (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium, St Georges Street, Norwich, NR3 1AG

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

Page will be updated with audit report following completion of external audit – September 2012.

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Date:

Julian Rickett (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium, St Georges Street, Norwich, NR3 1AG

# Statement of Responsibilities

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## 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 - Strategic Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2012 was approved at the meeting of the Audit Committee on 24 September 2012.

Signed on behalf of Peterborough City Council:

Chairman of meeting  
approving the accounts:

*Note – not be signed until  
September 2012*

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 Council Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 9 to 82 present a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Executive Director -  
Strategic Resources:

Date:

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11			Comprehensive Income and Expenditure Statement				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		
3,875	(1,661)	2,214	Central Services to the Public		2,509	(662)	1,847		
300	-	300	Court Services		444	-	444		
11,329	(1,467)	9,862	Cultural and Related Services		11,692	(743)	10,949		
240,819	(193,060)	47,759	Education & Children's Services	1, 6	220,741	(175,598)	45,143		
16,094	(4,726)	11,368	Environmental and Regulatory Services		15,661	(6,095)	9,566		
21,829	(7,347)	14,482	Highways & Transport Services		24,713	(6,981)	17,732		
85,684	(78,557)	7,127	Other Housing Services		92,501	(84,433)	8,068		
20,240	(7,175)	13,065	Planning Services		11,805	(3,569)	8,236		
51,491	(9,697)	41,794	Adult Social Care	2, 6	57,862	(10,985)	46,877		
-	(53,405)	(53,405)	Exceptional Income – Pension Liability Reduction	7	-	-	-		
4,097	(1,471)	2,626	Corporate & Democratic Core	3, 4	3,292	(1,191)	2,101		
-	(4,438)	(4,438)	Non Distributed Costs		-	(3,117)	(3,117)		
<b>455,758</b>	<b>(363,004)</b>	<b>92,754</b>	<b>Cost of Services</b>	16	<b>441,220</b>	<b>(293,374)</b>	<b>147,846</b>		
23,699	(13,760)	9,939	Other Operating Expenditure	9,10	15,983	(11,927)	4,056		
21,613	(466)	21,147	Financing & Investment Income & Expenditure	11	20,119	(262)	19,857		
-	(174,788)	(174,788)	Taxation & Non-Specific Grant Income	12, 13	-	(176,239)	(176,239)		
<b>501,070</b>	<b>(552,018)</b>	<b>(50,948)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	16	<b>477,322</b>	<b>(481,802)</b>	<b>(4,480)</b>		
		(50,333)	Surplus on Revaluation of Non-Current Assets				(25,890)		
		(31,527)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			42,243		
		<b>(81,860)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>16,353</b>		
		<b>(132,808)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>11,873</b>		

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 9.

These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council, for further, more detailed movements, see Note 17.

Movement in Reserves during 2010/11 and 2011/12	Notes	General Fund Balance	School's Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	17	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010		3,758	5,114	17,078	-	5,297	31,247	710	31,957
Deficit / (Surplus) on Provision of Services		50,059	889	-	-	-	50,948	-	50,948
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	81,860	81,860
<b>Total Comprehensive Income &amp; Expenditure</b>		50,059	889	-	-	-	50,948	81,860	132,808
Adjustments between accounting basis & funding basis under regulations		(47,110)	-	-	3,957	452	(42,701)	42,701	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		2,949	889	-	3,957	452	8,247	124,561	132,808
Transfers to / (from) Reserves		(707)	746	(40)	(3,957)	(785)	(4,743)	4,743	-
<b>Increase / (Decrease) in 2010/11</b>		2,242	1,635	(40)	-	(333)	3,504	129,304	132,808
Balance at 31 March 2011 Carried Forward		6,000	6,749	17,038	-	4,964	34,751	130,014	164,765
<b>Balance at 1 April 2011</b>		<b>6,000</b>	<b>6,749</b>	<b>17,038</b>	<b>-</b>	<b>4,964</b>	<b>34,751</b>	<b>130,014</b>	<b>164,765</b>
Deficit / (Surplus) on Provision of Services		4,380	100	-	-	-	4,480	-	4,480
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(16,353)	(16,353)
<b>Total Comprehensive Income &amp; Expenditure</b>		4,380	100	-	-	-	4,480	(16,353)	(11,873)
Adjustments between accounting basis & funding basis under regulations		(4,438)	-	-	5,893	(2,173)	(718)	718	-
<b>Net Increase before Transfers to Earmarked Reserves</b>		(58)	100	-	5,893	(2,173)	3,762	(15,635)	(11,873)
Transfers to / (from) Reserves		58	-	(58)	(5,893)	(1,062)	(6,955)	6,955	-
<b>Increase / (Decrease) in 2011/12</b>		-	100	(58)	-	(3,235)	(3,193)	(8,680)	(11,873)
<b>Balance at 31 March 2012 Carried Forward</b>		<b>6,000</b>	<b>6,849</b>	<b>16,980</b>	<b>-</b>	<b>1,729</b>	<b>31,558</b>	<b>121,334</b>	<b>152,892</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 10, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2011 £000	<b>Balance Sheet</b>	<b>Notes</b>	31 March 2012 £000
435,232	Property, Plant & Equipment	19	499,029
40,012	Investment Property	20	33,826
2,538	Intangible Assets	21	2,148
24,382	Surplus Assets	22	23,517
457	Long Term Investments	29	158
2,334	Long term Debtors	29, 31	2,353
<b>504,955</b>	<b>Long Term Assets</b>		<b>561,031</b>
449	Short Term Investments	29	438
484	Inventories	32	385
48,636	Short Term Debtors	33	47,431
15,634	Cash & Cash Equivalents	40	3,270
6,146	Assets Held for Sale	22	2,300
<b>71,349</b>	<b>Current Assets</b>		<b>53,824</b>
(20,883)	Short Term Borrowing	29	(29,213)
(53,001)	Short Term Creditors	34	(61,196)
(6,011)	Provisions	36	(6,540)
<b>(79,895)</b>	<b>Current Liabilities</b>		<b>(96,949)</b>
(145,349)	Long Term Creditors	7	(187,284)
(1,611)	Provisions	36	(1,478)
(115,387)	Long Term Borrowing	29	(115,387)
(43,688)	Other Long Term Liabilities	27, 28, 29, 31	(43,445)
(25,609)	Capital Grants Receipts in Advance	35	(17,420)
<b>(331,644)</b>	<b>Long Term Liabilities</b>		<b>(365,014)</b>
<b>164,765</b>	<b>Net Assets</b>		<b>152,892</b>
(34,751)	Usable Reserves	17	(31,558)
(130,014)	Unusable Reserves	17	(121,334)
<b>(164,765)</b>	<b>Total Reserves</b>		<b>(152,892)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant

income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11 £000	<b>Cash Flow Statement</b>	Notes	2011/12 £000
(50,948)	Net Deficit / (Surplus) on the Provision of Services		(4,480)
16,594	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(31,767)
(24,028)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(20,787)
<u>(58,382)</u>	<b>Net Cash Flows from Operating Activities</b>		<b>(57,034)</b>
41,049	Investing Activities	38	69,301
11,750	Financing Activities	39	97
<u>(5,583)</u>	<b>Net Decrease / (Increase) in Cash &amp; Cash Equivalents</b>		<b>12,364</b>
10,051	Cash & Cash Equivalents at the Beginning of the Reporting Period		15,634
5,583	(Decrease) / Increase in Cash and Cash Equivalents		(12,364)
<u>15,634</u>	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	40	<b>3,270</b>

# Notes to the Accounts

## 1 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 and for the previous financial year, 2010/11 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for the financial year			(124,491)
Adjustment for Academy Transfers			(6,139)
Brought forward from 2010/11			(497)
Carry forward to 2012/13			276
Agreed budgeted distribution in year	(15,752)	(115,099)	(130,851)
Actual central expenditure	15,092	-	15,092
Actual ISB deployed to schools	-	115,099	115,099
Local Authority contribution for 2011/12	-	-	-
<b>Carry Forward to 2011/12</b>	<b>(660)</b>	<b>-</b>	<b>( 660)</b>
<b>Total amount carried forward</b>			<b>( 936)</b>

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for the financial year			(114,783)
Adjustment for Academy Transfers			(3,822)
Brought forward from 2009/10			(775)
Carry forward to 2011/12			157
Agreed budgeted distribution in	(17,782)	(101,441)	(119,223)
Actual central expenditure	17,636	-	17,636
Actual ISB deployed to schools	-	101,247	101,247
Local Authority contribution for 2010/11	-	-	-
Carry Forward to 2010/11	(146)	(194)	( 340)
<b>Total amount carried forward</b>			<b>( 497)</b>

## 2 Pooled Funds and Similar Arrangements

In April 2004 the Council entered into a section 75 Pooled Budget arrangement with NHS Peterborough for the provision of Adult Social Care (ASC). On 1 March 2012 this agreement came to an end and the Council manages the provision of ASC services directly rather than through the Pooled Partnership.

For the 2011/12 financial year, changes to the Section 75 partnership agreement came in to effect. This change in agreement resulted in a change to the Council's accounting treatment for ASC expenditure. Rather than accounting for only the Council's contribution to the Pooled Partnership Fund, the Council is now be required to account for ASC expenditure undertaken by the Pooled Partnership as if the Council had incurred that expenditure directly.



The Council has assessed the impact of this amendment to the accounting treatment for ASC and has concluded that as the values involved are immaterial the required adjustments would not add any additional value to the reader of the accounts. Therefore the Council has not accounted for this change in risk share under merger accounting in the Balance Sheet but the notes to the Comprehensive Income and Expenditure Statement have been amended.

Further information can be found in Note 45.

### 3 External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors, PriceWaterhouseCoopers.

2010/11 £000	External Audit Costs	2011/12 £000
252	Fees payable with regard to external audit services carried out by the appointed auditor	226
45	Fees payable for the certification of grant claims & returns carried out by the appointed auditor	45
-	Fees payable in respect of other services provided by the appointed auditor	16
<u>297</u>	<b>Total</b>	<u>287</u>

### 4 Members Allowances

The following amounts were paid to members of the Council during the year.

2010/11 £000	Members Allowances	2011/12 £000
714	Allowances	708
1	Expenses	1
<u>715</u>	<b>Total</b>	<u>709</u>

### 5 Termination Benefits and Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2011/12, incurring liabilities of £2.3m (£5.4m 2010/11). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs include those paid and those provided for in the year, see Note 36 for details of the redundancy provision. The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the table below:

2010/11 £000	Termination Benefits	2011/12 £000
128	Central Services to the Public	165
30	Cultural and Related Services	88
2,735	Education & Children's Services	1,146
124	Environmental and Regulatory Services	62
220	Highways & Transport Services	130
461	Other Housing Services	2
266	Planning Services	93
-	Adult Social Care	156
60	Corporate & Democratic Core	87
706	Trading Operations	14
652	Support Services ( <i>recharged to the services</i> )	342
<u>5,382</u>	<b>Total</b>	<u>2,285</u>

The numbers of packages agreed and the value of those packages are analysed below, in bands of £20k up to £100k and bands of £50k thereafter.

Termination and Exit Packages 2011/12							
Compulsory number	Voluntary number	Total number	Bands	Compulsory £000	Voluntary £000	Total £000	Pension Strain inc. in total * £000
9	73	82	£0 - £19,999	135	439	574	34
-	38	38	£20,000 - £39,999	-	1,092	1,092	140
-	5	5	£40,000 - £59,999	-	253	253	45
-	3	3	£60,000 - £79,999	-	185	185	70
-	2	2	£80,000 - £99,999	-	181	181	77
<b>9</b>	<b>121</b>	<b>130</b>	<b>Total</b>	<b>135</b>	<b>2,150</b>	<b>2,285</b>	<b>366</b>

Termination and Exit Packages 2010/11							
Compulsory number	Voluntary number	Total number	Bands	Compulsory £000	Voluntary £000	Total £000	Pension Strain inc. in total * £000
2	93	95	£0 - £19,999	15	886	901	33
-	58	58	£20,000 - £39,999	-	1,674	1,674	240
-	23	23	£40,000 - £59,999	-	1,097	1,097	332
-	11	11	£60,000 - £79,999	-	826	826	222
-	5	5	£80,000 - £99,999	-	465	465	321
-	2	2	£100,000 - £149,999	-	224	224	127
-	1	1	£150,000 - £200,000	-	195	195	97
<b>2</b>	<b>193</b>	<b>195</b>	<b>Total</b>	<b>15</b>	<b>5,367</b>	<b>5,382</b>	<b>1,372</b>

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

## 6 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers Pension Scheme

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the Council paid £6.4m to Teachers' Pension in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £7.0m and 14.1%. The contributions reduced between years as two secondary and a primary school have transferred to Academy status during 2011/12. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 7.

## NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care services. Present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs/pensions](http://www.nhsbsa.nhs/pensions).

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

## 7 Defined Benefit Pension Schemes

### Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into

a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Transactions relating to post employment benefits

The cost of retirement benefits is reported in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2010/11 £000	<b>Comprehensive Income and Expenditure Statement</b>	2011/12 £000
	Cost of Services:	
12,586	Current service cost	10,512
(53,405)	Past service cost	(2,413)
(4,657)	Curtailment and Settlement	(506)
	Financing & Investment Income & Expenditure	
24,212	Interest cost (Note 11)	22,359
(18,057)	Expected return on scheme assets (Note 11)	(17,874)
<u>(39,321)</u>	<b>Total post employment benefit charged to the Deficit / (Surplus) on the Provision of Services</b>	<b>12,078</b>
	Other employment benefit charged to the Comprehensive Income and Expenditure Statement	
(31,527)	Actuarial losses / (gains)	42,243
<u>(70,848)</u>	<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>54,321</b>
	<b>Movement in Reserves Statement</b>	
70,848	Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services for post employment benefits in accordance with the code	(54,321)
	Actual amount charged against the General Fund Balance for pensions in the year:	
14,562	Employer's contributions payable to scheme	12,386
<u>85,410</u>	<b>Total Movement in Reserves Statement</b>	<b>(41,935)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £190.3m and at 31 March 2011 was a loss of £148.1m which has built up from 1<sup>st</sup> April 2004.

### Assets and liabilities in relation to post employment benefits

31 March 2011 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2012 £000
480,626	Opening Liability at 1 April	407,309
12,586	Current Service Cost	10,512
24,212	Interest Cost	22,359
4,512	Contributions by Scheme Participants	3,629
(28,175)	Actuarial Losses / (Gains)	25,111
456	Losses on Curtailments (excluding settlement amounts)	964
(22,946)	Liabilities Extinguished on Settlements	(4,569)
(53,405)	Past Service Costs	(2,413)
	- Liabilities Assumed on a Business Combination	12,290
(10,557)	Benefits Paid	(10,174)
<b>407,309</b>	<b>Closing Liability at 31 March</b>	<b>465,018</b>

31 March 2011 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2012 £000
249,867	Opening Value at 1 April	261,960
18,057	Expected Rate of Return on Assets	17,874
3,352	Actuarial Gains	(17,132)
(17,833)	Assets Distributed on Settlements	(3,099)
14,562	Employer Contributions	12,386
4,512	Contributions by Scheme Participants	3,629
	- Assets Acquired in a Business Combination	12,290
(10,557)	Benefits Paid	(10,174)
<b>261,960</b>	<b>Closing Fair Value of Scheme Assets at 31 March</b>	<b>277,734</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on

fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.8m (2010/11 £16.3m).

### Scheme history

Local Government Pension Scheme	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities	272,854	270,081	480,626	407,309	465,018
Fair Value of Assets in the Scheme	(210,145)	(178,074)	(249,867)	(261,960)	(277,734)
<b>(Surplus) / Deficit in scheme</b>	<b>62,709</b>	<b>92,007</b>	<b>230,759</b>	<b>145,349</b>	<b>187,284</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £187.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 17, page 36. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £8.8m.

## Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

31 March 2011		31 March 2012
<b>Long-term expected rate of return on assets in the scheme</b>		
7.5%	Equity Investments	6.3%
4.9%	Bonds	3.3%
5.5%	Property	4.4%
4.6%	Cash	3.5%
<b>Mortality Assumptions</b>		
Longevity at 65 for Current Pensioners:		
21.0	Men	21.0 years
23.8	Women	23.8 years
Longevity at 65 for Future Pensioners:		
22.9	Men	22.9 years
25.7	Women	25.7 years
<b>Financial Assumptions</b>		
2.8%	Rate of inflation	2.5%
2.8%	Rate of increase in pensions	2.5%
5.1%	Rate of increase in salaries	4.8%
6.8%	Expected return on assets	5.6%
5.5%	Rate for discounting scheme liabilities	4.8%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund based on the latest full valuation

of the scheme as at the 31 March 2010. The results of this valuation were projected forward using approximate methods.

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

31 March 2011		31 March 2012
%		%
73	Equity investments	72
15	Bonds	14
8	Property	9
4	Cash	5
<b>100</b>	<b>Total</b>	<b>100</b>

## History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between expected and actual return on assets	(26.75)	(32.33)	19.29	1.28	6.17
Experience Gains and Losses on Liabilities *	12.98	0.16	(0.36)	(5.86)	(1.25)

\* represents where events have not coincided with the actuarial assumptions made for the last valuation – the closer to zero the more accurate the assumptions

## 8 Officers' Remuneration

The number of employees whose remuneration, including lump sum retirement payments but not any associated pension strain, was £50,000 or more in bands of £5,000 is shown in the table.

2010/11 Number of Employees	Remuneration Band	2011/12 Number of Employees
89	£50,000 - £54,999	73
47	£55,000 - £59,999	43
42	£60,000 - £64,999	28
23	£65,000 - £69,999	19
13	£70,000 - £74,999	16
8	£75,000 - £79,999	11
11	£80,000 - £84,999	10
4	£85,000 - £89,999	7
8	£90,000 - £94,999	2
1	£95,000 - £99,999	4
1	£100,000 - £104,999	2
1	£105,000 - £109,999	1
3	£110,000 - £114,999	1
-	£115,000 - £119,000	-
1	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	-
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
1	£155,000 - £159,999	-
-	£170,000 - £174,999	1
1	£175,000 - £179,999	-

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds.

The bands include those employees who have received remuneration and lump sum payments during the year. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5. The employees within the Adult Social Care service that transferred to the Council on 1 March 2012 have been included at their salary for the whole year, and thus affect the comparison between years.

The following table shows the remuneration paid to the Council's senior employees.

The remuneration paid to the Council's senior employees is as follows:

Post Holder	Year	Salary*	Bonuses	Expenses allowance	Compensation for loss of Office	Benefits in kind	Election duties	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers)#	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley	2011/12	169,265	-	-	-	-	6,000	<b>175,265</b>	29,951	<b>205,216</b>
	2010/11	170,175	-	-	-	-	5,000	175,175	29,951	205,126
Executive Director - Strategic Resources	2011/12	120,282	-	-	-	16	3,025	<b>123,323</b>	21,330	<b>144,653</b>
	2010/11	121,192	-	-	-	109	2,308	123,609	21,330	144,939
Executive Director - Operations	2011/12	107,706	-	-	-	24	525	<b>108,255</b>	19,116	<b>127,371</b>
	2010/11	108,679	-	-	-	596	865	110,140	19,116	129,256
Executive Director - Children Services to 2 September 2011	2011/12	62,641	-	-	34,577	-	-	<b>97,218</b>	10,278	<b>107,496</b>
	2010/11	138,308	-	-	-	-	-	138,308	24,342	162,650
Director - Commercial Services to 4 March 2011	2011/12	-	-	-	-	-	-	-	-	-
	2010/11	83,851	-	1,136	-	1,405	383	86,775	14,756	101,531
Director of Adult - Social Services to 1 January 2012	2011/12	81,595	-	-	-	73	175	<b>81,843</b>	18,021	<b>99,864</b>
	2010/11	110,235	-	-	-	418	-	110,653	19,401	130,054
Solicitor to the Council	2011/12	90,323	-	-	-	-	2,750	<b>93,073</b>	15,897	<b>108,970</b>
	2010/11	90,323	-	-	-	171	2,250	92,744	15,897	108,641

\* The small decrease in some officer salaries reflects car parking charges made from 1<sup>st</sup> April 2011 which are deducted directly from earnings via a salary sacrifice scheme

\* Salary includes fees and allowances plus basic arrears

+ Travel related benefits

# The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund



## 9 Trading Operations

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

Trading Operations 2011/12	Expenditure £000	Income £000	Deficit / (Surplus) £000
Industrial Properties	1,528	(1,646)	(118)
Commercial Properties	647	(1,960)	(1,313)
Market Properties	405	(530)	(125)
<b>Total for Properties</b>	<b>2,580</b>	<b>(4,136)</b>	<b>(1,556)</b>
<b>Other Traded Services</b>	<b>2,161</b>	<b>(1,893)</b>	<b>268</b>
<b>Sub Total</b>	<b>4,741</b>	<b>(6,029)</b>	<b>(1,288)</b>
Capital Charges Adjustment	186	-	186
<b>Total for Trading Units</b>	<b>4,927</b>	<b>(6,029)</b>	<b>(1,102)</b>

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. The majority relate to the Council's property portfolio, but Westcombe Engineering, a company set up to create employment opportunities for people with disabilities is included within the Other Traded Services.

Trading Operations 2010/11	Expenditure £000	Income £000	Deficit / (Surplus) £000
Industrial Properties	1,094	(1,577)	(483)
Commercial Properties	584	(2,213)	(1,629)
Market Properties	422	(584)	(162)
<b>Total for Properties</b>	<b>2,100</b>	<b>(4,374)</b>	<b>(2,274)</b>
Building Cleaning	880	(894)	(14)
Building Maintenance	2,603	(2,514)	89
Catering	1,315	(1,314)	1
Grounds Maintenance	3,157	(3,170)	(13)
Refuse Collection	3,825	(3,710)	115
Street Cleaning	2,454	(2,842)	(388)
Vehicle Maintenance	948	(944)	4
Other	7,057	(3,432)	3,625
Inter Departmental Adjustment	(18,119)	18,119	-
<b>Total for City Services</b>	<b>4,120</b>	<b>(701)</b>	<b>3,419</b>
<b>Other Traded Services</b>	<b>1,944</b>	<b>(1,588)</b>	<b>356</b>
<b>Sub Total</b>	<b>8,164</b>	<b>(6,663)</b>	<b>1,501</b>
Capital Charges Adjustment	7,398	-	7,398
<b>Total for Trading Units</b>	<b>15,562</b>	<b>(6,663)</b>	<b>8,899</b>

The City Services Trading operations were transferred to Enterprise Peterborough as part of the long-term strategic partnership on 4 March 2011.

**10 Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2010/11 £000		2011/12 £000
	<b>Other Operating Expenditure</b>	<b>£000</b>
364	Parish Council Precepts	397
553	Drainage & Flood Levies	564
8,899	(Gains) / Losses on Trading Operations - (Note 9)	(1,102)
10	Payments to the Government Housing Capital Receipts Pool (Note 17)	6
827	Losses on Disposal of Non Current Assets	5,526
(714)	Gains on Right To Buy Receipts (Note 17)	(1,335)
<u>9,939</u>	<b>Total</b>	<b>4,056</b>

**11 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2010/11 £000		2011/12 £000
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	<b>£000</b>
10,287	Interest Payable & Similar Charges (Note 29)	10,271
6,155	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	4,485
(466)	Interest Receivable & Similar Income (Note 29)	(262)
5,171	(Gains)/Losses in Fair Value of Investment Properties (Note 20)	5,363
<u>21,147</u>	<b>Total</b>	<b>19,857</b>

**12 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes**

2010/11 £000		2011/12 £000
	<b>Taxation &amp; Non-Specific Grant Income</b>	<b>£000</b>
(60,986)	Council Tax Income	(61,836)
(67,249)	Distribution of national non-domestic rates (NNDR)	(60,102)
(23,761)	Non-Specific Government Grants (Note 13)	(22,128)
(22,792)	Capital Grants & Contributions (Note 26)	(32,173)
<u>(174,788)</u>	<b>Total Income</b>	<b>(176,239)</b>

**13 Grant Income**

The Council receives a number of grants that contribute to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement, Note 12.

2010/11 £000		2011/12 £000
	<b>Taxation &amp; Non Specific Grant Income</b>	<b>£000</b>
(9,765)	Revenue Support Grant	(18,578)
(13,996)	Area Based Grant	-
	Council Tax Freeze Grant	(1,533)
	- New Homes Bonus	(1,300)
	- Local Services Support Grant	(717)
<u>(23,761)</u>	<b>Total General Government Grants</b>	<b>(22,128)</b>
(67,249)	Distribution of national non-domestic rates (NNDR)	(60,102)
<u>(91,010)</u>	<b>Total non-specific Income from Government</b>	<b>(82,230)</b>

## 14 Related Parties

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

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 16 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 33.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 4. Members have been consulted over potential related parties and there are no material transactions which require disclosure. The Register of Members' Interest is open to public inspection at the Town Hall during office hours and the details of Members Interests are disclosed in the Democracy area by Member on the Council's website.

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. The List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Democracy area of the Council's website.

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of legal services and trading standards to Rutland County Council, the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council including a joint area based broadband project. These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature.

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

Where the Council has substantial interest in companies and relevant transactions and balances these are detailed in Note 15.

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

## 15 Interest in Companies

### Opportunity Peterborough

The registered name of the company is Peterborough Urban Regeneration Company Limited, known as Opportunity Peterborough, and the company is a wholly owned subsidiary of Peterborough City Council. Before 31 March 2011 it had three guarantors, Homes and Community Agency (HCA), The East of England Development Agency (EEDA) and Peterborough City Council. On 31 March 2011 HCA and EEDA ceased to be members of the company.

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, £377,792 in 2011/12 (£250,000 in 2010/11), along with the funding for seconded staff and specific projects, £34,238 in 2011/12 are included within the Council’s Cost of Services.

The net assets of the Company at 31 March 2012 are £197,440 (31 March 2011 £219,201), and the Company made a net deficit of £21,761 in 2011/12 (2010/11 deficit of £251,203). The accounts can be obtained from Opportunity Peterborough, Stuart House, Ground Floor, Zone 5, St John’s Street, Peterborough PE1 5DD.

### Blue Sky Peterborough

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

The company is limited by shares, and the share capital of the company is £1.

## 16 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payments of employer’s pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios

The income and expenditure of the Council’s principal portfolios recorded in the budget reports for the year is as follows:

<b>Portfolio Income &amp; Expenditure for 2011/12</b>	<b>Chief Executives £000</b>	<b>Children's Services £000</b>	<b>Operations £000</b>	<b>Strategic Resources £000</b>	<b>Adult Social Care £000</b>	<b>2011/12 Total £000</b>
Fees, charges & other service income	(1,889)	(24,051)	(12,939)	(26,421)	(5,119)	(70,419)
Government Grants	(421)	(158,455)	(5,219)	(84,284)	(3,033)	(251,412)
<b>Total Income</b>	<b>(2,310)</b>	<b>(182,506)</b>	<b>(18,158)</b>	<b>(110,705)</b>	<b>(8,152)</b>	<b>(321,831)</b>
Employee expenses	5,597	121,790	11,459	9,878	11,605	160,329
Other service expenses	4,226	90,002	26,960	148,032	42,993	312,213
<b>Total Expenditure</b>	<b>9,823</b>	<b>211,792</b>	<b>38,419</b>	<b>157,910</b>	<b>54,598</b>	<b>472,542</b>
<b>Net Expenditure</b>	<b>7,513</b>	<b>29,286</b>	<b>20,261</b>	<b>47,205</b>	<b>46,446</b>	<b>150,711</b>
<b>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>						
					Net Expenditure in the Portfolio Analysis	150,711
					Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	15,046
					Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(17,911)
					<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>147,846</b>

<i>Portfolio Income &amp; Expenditure for 2010/11</i>	<i>Chief Executives £000</i>	<i>Children's Services £000</i>	<i>City Services £000</i>	<i>Operations £000</i>	<i>Strategic Resources £000</i>	<i>Adult Social Care £000</i>	<i>2010/11 Total £000</i>
<i>Fees, charges &amp; other service income</i>	<i>(2,100)</i>	<i>(6,034)</i>	<i>(25,669)</i>	<i>(10,420)</i>	<i>(18,107)</i>	<i>(4,651)</i>	<i>(66,981)</i>
<i>Government Grants</i>	<i>(989)</i>	<i>(150,995)</i>	<i>(47)</i>	<i>(8,644)</i>	<i>(75,973)</i>	<i>(2,284)</i>	<i>(238,932)</i>
<b><i>Total Income</i></b>	<b><i>(3,089)</i></b>	<b><i>(157,029)</i></b>	<b><i>(25,716)</i></b>	<b><i>(19,064)</i></b>	<b><i>(94,080)</i></b>	<b><i>(6,935)</i></b>	<b><i>(305,913)</i></b>
<i>Employee expenses</i>	<i>5,063</i>	<i>141,120</i>	<i>11,949</i>	<i>13,615</i>	<i>11,297</i>	<i>716</i>	<i>183,760</i>
<i>Other service expenses</i>	<i>6,810</i>	<i>54,782</i>	<i>27,367</i>	<i>32,754</i>	<i>115,116</i>	<i>46,801</i>	<i>283,630</i>
<b><i>Total Expenditure</i></b>	<b><i>11,873</i></b>	<b><i>195,902</i></b>	<b><i>39,316</i></b>	<b><i>46,369</i></b>	<b><i>126,413</i></b>	<b><i>47,517</i></b>	<b><i>467,390</i></b>
<b><i>Net Expenditure</i></b>	<b><i>8,784</i></b>	<b><i>38,873</i></b>	<b><i>13,600</i></b>	<b><i>27,305</i></b>	<b><i>32,333</i></b>	<b><i>40,582</i></b>	<b><i>161,477</i></b>
<i>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</i>							
						Net Expenditure in the Portfolio Analysis	161,477
						Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(14,603)
						Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(54,120)
						<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>92,754</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the

'(Surplus) / Deficit on the Provision of Services' line included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2011/12	Portfolio Analysis	Amounts not Reported to Mgmt <sup>1</sup>	Amounts not included in CIES <sup>2</sup>	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(70,197)	5,933	7,009	11,743	(45,512)	(11,927)	(57,439)
Interest & Investment Income	(222)	-	222	-	-	(262)	(262)
Income from Council Tax	-	-	-	-	-	(61,836)	(61,836)
Government Grants & Contributions	(251,412)	-	3,550	-	(247,862)	(114,403)	(362,265)
<b>Total Income</b>	<b>(321,831)</b>	<b>5,933</b>	<b>10,781</b>	<b>11,743</b>	<b>(293,374)</b>	<b>(188,428)</b>	<b>(481,802)</b>
Employee Expenses	160,329	(5,014)	(942)	-	154,373	5,427	159,800
Other Service Expenses	306,118	(13,600)	(21,655)	-	270,863	3,984	274,847
Support Services Recharges	-	5	-	(11,743)	(11,738)	-	(11,738)
Depreciation, Amortisation & Impairment	-	27,722	-	-	27,722	5,363	33,085
Interest Payments	6,095	-	(6,095)	-	-	10,271	10,271
Precepts & Levies	-	-	-	-	-	961	961
Payments to Housing Capital Receipts Pool	-	-	-	-	-	6	6
Loss on Disposal of Non-Current Assets	-	-	-	-	-	10,090	10,090
<b>Total Expenditure</b>	<b>472,542</b>	<b>9,113</b>	<b>(28,692)</b>	<b>(11,743)</b>	<b>441,220</b>	<b>36,102</b>	<b>477,322</b>
<b>Deficit / (Surplus) on the Provision of Services</b>	<b>150,711</b>	<b>15,046</b>	<b>(17,911)</b>	<b>-</b>	<b>147,846</b>	<b>(152,326)</b>	<b>(4,480)</b>

<sup>1</sup> Amounts not reported to Management are accounting entries over which the Management have no control ie IAS19 pension adjustment and the accumulated compensated absences adjustment

<sup>2</sup> Amounts not included in the Comprehensive Income and Expenditure Statement (CIES) are the Trading Units which are shown in Other Operating Expenditure rather than in the Cost of Services in the Comprehensive Income and Expenditure Statement.

<i>Reconciliation to Subjective Analysis 2010/11 – Comparative Figures Table</i>	<i>Portfolio Analysis</i>	<i>Amounts not Reported to Mgmt</i>	<i>Amounts not included in CIES</i>	<i>Allocation of Recharges</i>	<i>Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Fees, Charges &amp; Other Service Income</i>	(66,981)	4,695	29,344	(91,177)	(124,119)	(13,713)	(137,832)
<i>Interest &amp; Investment Income</i>	-	-	-	-	-	(466)	(466)
<i>Income from Council Tax</i>	-	-	-	-	-	(60,986)	(60,986)
<i>Government Grants &amp; Contributions</i>	(238,932)	-	47	-	(238,885)	(113,849)	(352,734)
<i>Total Income</i>	(305,913)	4,695	29,391	(91,177)	(363,004)	(189,014)	(552,018)
<i>Employee Expenses</i>	183,760	(58,870)	(12,401)	-	112,489	18,556	131,045
<i>Other Service Expenses</i>	283,630	(13,379)	(71,110)	-	199,141	10,258	209,399
<i>Support Services Recharges</i>	-	-	-	91,177	91,177	-	91,177
<i>Depreciation, Amortisation &amp; Impairment</i>	-	52,951	-	-	52,951	5,171	58,122
<i>Interest Payments</i>	-	-	-	-	-	10,287	10,287
<i>Precepts &amp; Levies</i>	-	-	-	-	-	917	917
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	10	10
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	113	113
<i>Total Expenditure</i>	467,390	(19,298)	(83,511)	91,177	455,758	45,312	501,070
<i>Deficit / (Surplus) on the Provision of Services</i>	161,477	(14,603)	(54,120)	-	92,754	(143,702)	(50,948)

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

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

Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation and Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements.

- **Summary of Usable and Unusable Reserves**

<b>Summary of Usable Reserves</b>	<b>31 March 2011 £000</b>	<b>Movement £000</b>	<b>31 March 2012 £000</b>
<b>Usable Reserves</b>			
General Fund Balance	(6,000)	-	(6,000)
School Balances	(6,749)	(100)	(6,849)
Specific Earmarked Reserves (Note 18)	(17,038)	58	(16,980)
Capital Receipts Reserve	-	-	-
Capital Grants Unapplied Account	(4,964)	3,235	(1,729)
<b>Total Usable Reserves</b>	<b>(34,751)</b>	<b>3,193</b>	<b>(31,558)</b>

<b>Summary of Unusable Reserves</b>	<b>31 March 2011 £000</b>	<b>Movement £000</b>	<b>31 March 2012 £000</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	(99,230)	(21,151)	(120,381)
Capital Adjustment Account	(176,000)	(14,986)	(190,986)
Deferred Capital Receipts	(2,971)	1,014	(1,957)
Donated Assets Account	(2,548)	2,206	(342)
Financial Instruments Adjustment Account	504	(7)	497
Pension Fund Reserve	145,349	41,935	187,284
Collection Fund Adjustment Account	363	(110)	253
Accumulating Compensated Absences Adjustment Account	4,519	(221)	4,298
<b>Total Unusable Reserves</b>	<b>(130,014)</b>	<b>8,680</b>	<b>(121,334)</b>
<b>Total Usable &amp; Unusable Reserves</b>	<b>(164,765)</b>	<b>11,873</b>	<b>(152,892)</b>



- **Capital Receipts Reserve**

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

2010/11	Capital Receipts Reserve:	General Fund Balance	Capital Adjustment Account	Deferred Capital Receipts Account	Capital Receipts Reserve 2011/12
£000		£000	£000	£000	£000
	- Balance Brought Forward				-
(3,253)	Transfer of Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income & Expenditure Statement	4,494			(4,494)
(714)	Transfer of Right to Buy Proceeds Credited to Comprehensive Income & Expenditure Statement	1,335			(1,335)
(16)	Transfer of Other Receipts	70	143	5	(218)
3,973	Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(7,050)		7,050
	- Transfer from Deferred Capital receipts Reserve upon Receipt of Cash			1,009	(1,009)
10	Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool	(6)			6
	<b>- Balance Carried Forward</b>				-
	Impact of movement in this Reserve on the General Fund Balance & other Accounts	5,893	(6,907)	1,014	

- **Capital Grants Unapplied Account**

The balance on the Capital Grants Unapplied Account represents grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement,

but where the resources have yet to be used to finance Capital Expenditure. Amounts are transferred to the Capital Adjustment Account once the resources have been utilised.

2010/11 Capital Grants Unapplied Account (Note 26):		General Fund Balance	Capital Adjustment Account	Capital Grants Unapplied Account 2011/12
<i>£000</i>		<b>£000</b>	<b>£000</b>	<b>£000</b>
(5,297)	Balance Brought Forward			(4,964)
(452)	Transfer of Unapplied Capital Grant & Contributions via the Comprehensive Income and Expenditure Statement	340		(340)
-	Adjustments made to Classification of Grant Received 2010/11	(2,513)		2,513
785	Application of Grants to Capital Financing		(1,062)	1,062
<u>(4,964)</u>	<b>Balance Carried Forward</b>			<b>(1,729)</b>
	Impact of movement in this Account on the General Fund Balance & other Account	<u>(2,173)</u>	<u>(1,062)</u>	

- **Revaluation Reserve**

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

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

- disposed of and the gains realised

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

2010/11	<b>Revaluation Reserve:</b>	<b>General Fund Balance £000</b>	<b>Capital Adjustment Account £000</b>	<b>Revaluation Reserve 2011/12 £000</b>
	£000			
(58,637)	<b>Balance Brought Forward</b>			(99,230)
(59,050)	Upward revaluation of assets	42,449		(42,449)
7,949	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(3,468)		3,468
4,122	Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(10,939)		10,939
1,550	Difference between fair value depreciation and historical cost depreciation		(2,300)	2,300
4,836	Release of revaluation gains on disposals		(4,591)	4,591
<u>(99,230)</u>	<b>Balance Carried Forward</b>			<b>(120,381)</b>
	Impact of movement in this Reserve on the General Fund Balance & other Account	<u>28,042</u>	<u>(6,891)</u>	

- **Capital Adjustment Account**

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and

amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

2010/11	Capital Adjustment Account	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Donated Asset Reserve	Revaluation Reserve	Capital Adjustment Account 2011/12
		£000	£000	£000	£000	£000	£000
	£000						
(176,070)	Balance Brought Forward						(176,000)
46,535	Charges for Depreciation & Impairment of Non Current Assets	(18,754)					18,754
(16,560)	Increases in the Market Value of Investments	(2,979)					2,979
1,094	Amortisation of Intangible Assets	(649)					649
(31,671)	Capital Grants & Contributions that have been applied to Capital Financing	40,292					(40,292)
14,651	Revenue Expenditure Funded from Capital under Statute	(16,607)					16,607
7,015	Amounts of Non Current Assets written off on disposal or sale as part of the (Gains) / Losses on Disposal in the Comprehensive Income and Expenditure Statement	(10,092)					10,092
502	Capitalisation Direction	(470)					470
(8,753)	Statutory Provision for the Repayment of Debt (MRP)	9,330					(9,330)
(785)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account			1,062			(1,062)
-	Movement in the Donated Assets Account				55		(55)
(3,155)	Depreciation & Impairment write down to Revaluation Reserve					2,300	(2,300)
(4,836)	Transfer of revaluation reserve on disposal					4,591	(4,591)
(3,973)	Capital Receipts transferred from Useable Capital receipts		7,050				(7,050)
6	Repayment of loan		(143)				143
<b>(176,000)</b>	<b>Balance Carried Forward</b>						<b>(190,986)</b>
	Impact of movement in this Account on the General Fund Balance & other Accounts & Reserves	71	6,907	1,062	55	6,891	

- **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these

gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlements eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 <b>Deferred Capital Receipts Reserve:</b>		<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Deferred Capital Receipts Reserve 2011/12</b>
<i>£000</i>		<b>£000</b>	<b>£000</b>	<b>£000</b>
(49)	Balance Brought Forward			(2,971)
(2,932)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement			-
10	Transfer to the Capital Receipts Reserve upon receipt of cash		(1,014)	1,014
<b>(2,971)</b>	<b>Balance Carried Forward</b>			<b>(1,957)</b>
	Impact of movement in this Reserve on the General Fund Balance & other Reserve	-	(1,014)	

- **Donated Assets Account**

The Donated Assets Account contains the gains made by the Council arising from the increases in value of Donated Assets.

2010/11 <b>Donated Assets Account:</b>		<b>General Fund Balance</b>	<b>Capital Adjustment Account</b>	<b>Donated Assets Account 2011/12</b>
<i>£000</i>		<b>£000</b>	<b>£000</b>	<b>£000</b>
(799)	Balance Brought Forward			(2,548)
(1,804)	Upward Revaluation of assets	54		(54)
-	Impairment of assets - Change in market value	(2,205)		2,205
55	Adjustment between historic cost and current value depreciation		(55)	55
<b>(2,548)</b>	<b>Balance Carried Forward</b>			<b>(342)</b>
	Impact of movement in this Account on the General Fund Balance & other Account	(2,151)	(55)	

- **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain

financial instruments and for bearing losses or benefitting from gains per statutory provisions.

<i>2010/11</i> <b>Financial Instruments Adjustment Account:</b>		<b>General Fund Balance</b>	<b>Financial Instruments Adjustment Account 2011/12</b>
<i>£000</i>		<b>£000</b>	<b>£000</b>
<i>1,380</i>	Balance Brought Forward		504
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the Year in Accordance with Statutory Requirements in relation to:			
<i>(7)</i>	Interest Paid on Short Term Loans	7	(7)
<i>(869)</i>	Icelandic Banks	-	-
<u><i>504</i></u>	<b>Balance Carried Forward</b>		<b>497</b>
	Impact of movement in this Account on the General Fund Balance	<u>7</u>	

- **Pensions Reserve**

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

earned to be financed as the Council makes employers' contributions to pension funds or eventually pay any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. For further information see Note 7.

2010/11 Pension Reserve:		General Fund Balance	Pension Reserve 2011/12
		£000	£000
£000			
230,759	Balance Brought Forward		145,349
(31,527)	Actuarial gains or losses on pensions assets and liabilities	(42,243)	42,243
(39,321)	Reversal of Items Relating to Post Employment Benefits Debited or Credited to the (Surplus) / Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement (Note 7)	(12,078)	12,078
(14,562)	Employer's Pensions Contributions & Direct Payments to Pensioners Payable in Year	12,386	(12,386)
<u>145,349</u>	<b>Balance Carried Forward</b>		<b>187,284</b>
	Impact of movement in this Reserve on the General Fund Balance	<u>(41,935)</u>	

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared

with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 64

2010/11 <b>Collection Fund Adjustment Account:</b>		<b>General Fund Balance</b>	<b>Collection Fund Adjustment Account 2011/12</b>
<i>£000</i>		<b>£000</b>	<b>£000</b>
(645)	Balance Brought Forward		363
1,008	Amount by which Council Tax income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	110	(110)
<b>363</b>	<b>Balance Carried Forward</b>		<b>253</b>
	Impact of movement in this Account on the General Fund Balance	110	

- **Accumulating Compensated Absences Adjustment Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement

carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2010/11 <b>Accumulating Compensated Absences Adjustment Account (Note 36):</b>		<b>General Fund Balance</b>	<b>Accumulating Absences Account 2011/12</b>
<i>£000</i>		<b>£000</b>	<b>£000</b>
3,351	Balance Brought Forward		4,519
1,168	Amount by which Officer remunerations charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from the Remuneration chargeable in the Year in Accordance with Statutory Requirements	221	(221)
<b>4,519</b>	<b>Balance Carried Forward</b>		<b>4,298</b>
	Impact of movement in this Account on the General Fund Balance	221	



## 18 Movement in Reserves Statement – Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

General Fund Earmarked Reserves	31 March 2011	Transfers Out	Transfers In	Movement between Reserves	31 March 2012	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	3,300	(2,056)	2,919	(131)	4,032	These have been identified by the Cabinet or the Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Commercial Property Portfolio	3,341	(1,021)	-	(2,320)	-	To meet the future costs associated with the Council's property portfolio to mitigate the effects of the recession, and impact of void and vacant properties.
Insurance	3,007	-	518	(545)	2,980	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	584	(151)	1,399	-	1,832	School revenue reserves put aside for funding future school capital schemes.
Grant Certification	250	(12)	-	(238)	-	Possible repayment of grant allocations which are subject to audit certification.
Available for Capacity Building	6,144	(6,684)	5,084	3,229	7,773	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Salix Carbon Reduction	375	(75)	11	(125)	186	To fund specific carbon reduction projects
Other	37	(32)	42	130	177	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts and Parish Burial Reserves.
<b>Total Reserves</b>	<b>17,038</b>	<b>(10,031)</b>	<b>9,973</b>	<b>-</b>	<b>16,980</b>	

## 19 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2011/12	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage & Donated Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 31 March 2011 Gross Book Value	295,224	46,819	164,388	5,552	-	10,761	522,744
Asset Reclassified	(3,499)	-	-	380	3,499	-	380
<b>At 1 April 2011 Gross Book Value</b>	<b>291,725</b>	<b>46,819</b>	<b>164,388</b>	<b>5,932</b>	<b>3,499</b>	<b>10,761</b>	<b>523,124</b>
Additions	12,541	2,804	9,060	14	2,611	31,665	58,695
Revaluation increase recognised in the Revaluation Reserve	37,308	-	-	189	614	-	38,111
Revaluation increase recognised in the (Surplus) / Deficit on Provision of Services	8,539	-	-	8	-	-	8,547
Derecognition - Disposals	(2,785)	(729)	-	(153)	-	-	(3,667)
Assets reclassified to Held for Sale	(1,722)	-	-	403	-	-	(1,319)
Assets Under Construction Completed In Year	3,678	-	168	105	586	(4,857)	(320)
<b>At 31 March 2012</b>	<b>349,284</b>	<b>48,894</b>	<b>173,616</b>	<b>6,498</b>	<b>7,310</b>	<b>37,569</b>	<b>623,171</b>
<b>Accumulated Depreciation</b>							
<b>At 31 March 2011</b>	(12,192)	(27,273)	(48,041)	(6)	-	-	(87,512)
Asset Reclassified	79	-	-	-	(79)	-	-
<b>At 1 April 2011</b>	<b>(12,113)</b>	<b>(27,273)</b>	<b>(48,041)</b>	<b>( 6)</b>	<b>( 79)</b>	<b>-</b>	<b>(87,512)</b>
Depreciation Charge	(7,653)	(6,765)	(7,865)	(6)	(85)	-	(22,374)
Depreciation written out to the Revaluation Reserve	6,237	-	-	10	-	-	6,247
Depreciation written out to the (Surplus) / Deficit on Provision of Services	3,156	-	-	17	-	-	3,173
Impairment losses / (reversals) recognised in the Revaluation Reserve	(13,303)	-	-	(440)	(2,573)	-	(16,316)
Impairment losses / (reversals) recognised in the (Surplus) / Deficit on Provision of Services	(7,569)	(23)	(11)	(289)	-	-	(7,892)
Derecognition - Disposals	241	291	-	-	-	-	532
<b>At 31 March 2012</b>	<b>(31,004)</b>	<b>(33,770)</b>	<b>(55,917)</b>	<b>(714)</b>	<b>(2,737)</b>	<b>-</b>	<b>(124,142)</b>
<b>Net Book Value - At 31 March 2012</b>	<b>318,280</b>	<b>15,124</b>	<b>117,699</b>	<b>5,784</b>	<b>4,573</b>	<b>37,569</b>	<b>499,029</b>
<i>Net Book Value - At 31 March 2011</i>	<b>283,032</b>	<b>19,546</b>	<b>116,347</b>	<b>5,546</b>	<b>-</b>	<b>10,761</b>	<b>435,232</b>

Comparative Movements in 2010/11

<i>Property, Plant &amp; Equipment (PPE) – 2010/11</i>	<i>Other Land &amp; Buildings</i>	<i>Vehicles, Plant &amp; Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 31 March 2010</i>	279,760	42,536	145,645	9,354	17,775	495,070
<i>2009/10 Impairment</i>	(20,461)	(2,516)	-	(3,993)	-	(26,970)
<i>At 1 April 2010</i>	259,299	40,020	145,645	5,361	17,775	468,100
<i>Additions</i>	13,711	5,221	16,950	41	7,089	43,012
<i>Revaluation increase recognised in the Revaluation Reserve</i>	31,553	-	-	238	-	95,373
<i>Revaluation increase recognised in the (Surplus) / Deficit on Provision of Services</i>	9,983	-	-	53	-	10,036
<i>Derecognition - Disposals</i>	(273)	(1,633)	-	-	-	(1,906)
<i>Assets reclassified (to) / from Held for Sale</i>	(1,625)	-	-	(4)	-	(1,629)
<i>Assets Under Construction Completed In Year</i>	8,112	2,256	1,793	447	(14,103)	(1,495)
<i>At 31 March 2011</i>	320,760	45,864	164,388	6,136	10,761	611,491
<i>Accumulated Depreciation</i>						
<i>At 31<sup>st</sup> March 2010</i>	(35,052)	(24,198)	(41,166)	(4,004)	-	(104,420)
<i>2009/10 Impairment</i>	20,461	2,516	-	3,993	-	26,970
<i>At 1 April 2010</i>	(14,591)	(21,682)	(41,166)	( 11)	-	(77,450)
<i>Depreciation Charge</i>	(7,226)	(5,642)	(6,875)	(3)	-	(19,746)
<i>Depreciation written out to the Revaluation Reserve</i>	6,551	-	-	8	-	6,559
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	3,074	896	-	-	-	3,970
<i>Impairment reversals recognised in the Revaluation Reserve</i>	(8,457)	(11)	-	(30)	-	(8,498)
<i>Impairment reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(17,022)	(1,114)	-	(554)	-	(18,690)
<i>Derecognition - Disposals</i>	1	1,235	-	-	-	1,236
<i>Elimination on reclassification to Assets Held for Sale</i>	(58)	-	-	-	-	(58)
<i>At 31 March 2011</i>	(37,728)	(26,318)	(48,041)	(590)	-	(112,677)
<i>Net Book Value - At 31 March 2011</i>	283,032	19,546	116,347	5,546	10,761	435,232
<i>Net Book Value - At 31 March 2010</i>	244,708	18,338	104,479	5,350	17,775	390,650

## 20 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 9 on page 22.

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

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

2010/11 £000		2011/12 £000
45,945	Balance at start of year	40,012
	Additions:	
-	Transfer from Assets Under Construction	20
192	Subsequent Expenditure	228
(955)	Disposals	(1,071)
16,560	Revaluations (Note 11)	2,979
(21,730)	Impairments (Note 11)	(8,342)
<u>40,012</u>	Balance at end of the Year	<u>33,826</u>

## 21 Intangible Assets

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

All software is given a finite useful life. A three year useful life is assigned to all intangible assets with exception to the licence plate which the Council have deemed to have an infinite life and is therefore not amortised.

The carrying amount of intangible assets is amortised on a straight-line basis.

There are two items of capitalised software that are individually material to the financial statements:

31 March 2011 £000	Intangible Assets	Remaining Amortisation Period Years	31 March 2012 £000
550	EDRM Software	2.5	548
530	Integrated Case Management System	2.5	354
<u>1,080</u>	<b>Total</b>		<u>902</u>

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

<i>Internally Generated Asset</i> £000	<i>Software &amp; Other Assets</i> £000	<i>2010/11 Total</i> £000	<b>Intangible Assets</b>	<b>Internally Generated Asset</b> £000	<b>Software &amp; Other Assets</b> £000	<b>2011/12 Total</b> £000
147	5,244	5,391	Balance at 1 April:	142	6,644	6,786
(57)	(3,097)	(3,154)	Gross Carrying Amounts	(87)	(4,161)	(4,248)
90	2,147	2,237	Accumulated Amortisation	55	2,483	2,538
			<b>Net Carrying Amount at Start of the Year</b>			
-	-	-	Additions	-	-	-
-	1,393	1,393	Internal Development	-	457	457
-	20	20	Purchases	-	-	-
(5)	(13)	(18)	Assets Under Construction Completed in Year	-	(198)	(198)
(30)	(1,064)	(1,094)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	(18)	(631)	(649)
55	2,483	2,538	Amortisation for the period	37	2,111	2,148
			<b>Net Carrying Amount at the End of Year</b>			
142	6,644	6,786	Gross Carrying Amounts	142	6,903	7,045
(87)	(4,161)	(4,248)	Accumulated Amortisation	(105)	(4,792)	(4,897)
55	2,483	2,538	<b>Net Carrying Amount at the End of Year</b>	37	2,111	2,148

## 22 Surplus Assets and Assets Held for Sale

The following note details assets which are surplus to the Council's service needs. Surplus assets that meet the strict 'Assets held for sale' criteria are shown as current assets in the

table below. Surplus assets that do not meet the 'Assets held for sale' criteria are shown as Non current assets.

2010/11		Surplus Assets and Assets Held for Sale	2011/12	
Surplus Assets Non-Current Assets £000	Assets Held for Sale Current Assets £000		Surplus Assets Non-Current Assets £000	Assets Held for Sale Current Assets £000
4,862	7,780	Balance at 1 April:	24,382	6,146
-	1,629	Property, Plant and Equipment Newly Classified as Current Asset	-	1,722
-	-	Revaluation Losses	-	-
19,930	2,224	Revaluation Gains	912	-
(543)	(1,369)	Impairment Losses	(237)	(867)
-	(7)	Property, Plant and Equipment Declassified as Held for Sale	-	(5)
-	-	Property, Plant and Equipment Surplus Movement	(403)	-
(228)	(5,003)	Assets Sold	(1,054)	(4,929)
(148)	148	Transfers from Non Current to Current	(148)	148
		<b>Other movements:</b>		
(21)	-	Depreciation Charged In Year	(5)	-
19	122	Additions	63	-
511	622	Capital Costs Incurred In Preparation For Disposal	7	85
<b>24,382</b>	<b>6,146</b>	<b>Balance Outstanding</b>	<b>23,517</b>	<b>2,300</b>

## 23 Capital Commitments

As at 31 March 2012 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2011/12 and future years budgeted to cost £103m as approved within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract	Value outstanding at 31/3/12
	£000	£000
ICT Transformation	5,908	812
John Mansfield College	957	477
Affordable Housing	4,403	2,202
Local Transport Plan – Junction 8 Roundabout	4,500	113
Stadium Enabling Works	341	326
Disabled Access - Regional Pool	152	152
Strategic Property - Focus Centre	175	115
Key Theatre Extension	1,269	772
Bayard Place	889	229
Demolition Buildings	484	363
Archive Store Central Library	280	280
Schools Works:		
Welland School	6,863	3,163
Bushfield Academy School	20,667	3,331
Hampton College Extension	7,692	6,378
Nene Park Academy School	14,443	12,752
Stanground College Extension	22,573	19,264
Other schools extensions	11,102	4,345
<b>Total</b>	<b>102,698</b>	<b>55,074</b>

## 24 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment measured at fair value and is revalued at least every four years. The valuations in 2011/12 were carried out by Peterborough Serco Strategic Partnership (PSSP) and Wilks Head & Eve (WHE) and totalled £28.9m. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

- Depreciated Replacement Cost – has been used to arrive at Existing Use Value where specialised property is valued. It is the least cost of purchasing the remaining service potential of the asset at the date of valuation

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Valued at fair value as at:				
31 March 2012	22,349	(26)	(1,172)	21,151
31 March 2011	21,223	(73)	19,443	40,593
31 March 2010	12,871	116	919	13,906
31 March 2009	6,417	-	595	7,012
31 March 2008	37,420	-	299	37,719
<b>Total Valuation</b>	<b>100,280</b>	<b>17</b>	<b>20,084</b>	<b>120,381</b>

## 25 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services line and to Other Comprehensive Income and Expenditure are disclosed in Notes 19 and 21 which reconcile the movement over the year for Property, Plant and Equipment and Intangible Asset balances respectively.

As part of the regeneration activity of South Bank area of the City, former investment properties were demolished, which include the former Matalan and B&Q sites. As a result the Council has recognised an impairment loss of £6.0m, and changed the asset classification from Investment Property to Open Space therefore requiring different valuation methodologies to be applied. The impairment loss is charged to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## 26 Capital Expenditure and Capital Financing

2010/11 £000		2011/12 £000
216,046	<b>Opening Capital Financing Requirement</b>	230,611
4	Adjustment for Leases	-
216,050	<b>Adjusted Opening Capital Financing Capital Investment</b>	230,611
35,924	Property, Plant and Equipment	27,030
7,089	Assets Under Construction	31,665
192	Investment Properties	228
141	Assets Held for Sale	63
1,393	Intangible Assets	457
14,502	Revenue Expenditure Funded from Capital under Statute	16,254
502	Capitalisation Direction	470
-	Loans to Third Parties	1,140
	<b>Sources of Finance</b>	
(3,973)	Capital Receipts	(7,050)
(32,456)	Capital Grants & Contributions	(41,354)
(8,753)	Sums set aside from revenue (inc.direct revenue financing and (MRP))	(9,330)
230,611	<b>Closing Capital Financing Requirement</b>	<b>250,184</b>
	<b>Explanation of movements in year</b>	
	Increase in underlying need to borrow:	
6,192	Supported borrowing	-
17,035	Unsupported / Prudential borrowing	28,789
87	Assets acquired under finance leases	114
	Decrease in underlying need to borrow:	
(8,753)	MRP	(9,330)
14,561	<b>Increase in Capital Financing Requirement</b>	<b>19,573</b>

The total amount of capital expenditure incurred in the year is shown in the table above (including the value of assets acquired



under finance leases), together with the resources that have been used to finance the expenditure. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2010/11 £000	Body of Grant Funding Applied	2011/12 £000
233	Big Lottery Fund	41
5,048	Department for Communities & Local Government	1,478
72	Department for the Environment, Farming and Rural Affairs	-
6,273	Department for Transport	5,455
14,582	Department of Education	6,058
219	Department of Health	-
613	East of England Development Agency	3
145	English Partnerships (Padholme Drain Scheme)	10
175	Homes and Communities Agency	-
3,128	Partnership for Schools	25,092
17	The Home Office	39
500	Government Offices (East of England)	-
-	Various	803
<b>31,005</b>	<b>Total Grants Applied</b>	<b>38,979</b>
923	Section 106 Contributions	1,193
528	Third Party Contributions	1,182
<b>1,451</b>	<b>Total Contributions applied</b>	<b>2,375</b>
<b>32,456</b>	<b>Total Grants &amp; Contributions applied</b>	<b>41,354</b>

2010/11 £000	Reconciliation of Grant Funding Applied to Capital Financing	2011/12 £000
22,792	Grants Received in year (Note 12)	32,173
9,331	Grants used to Fund Revenue Expenditure Funded from Capital under Statute	5,946
-	Adjustments made to Classification of Grant Received 2010/11	2,513
(452)	Grants Received in year not applied in year	(340)
785	Grants applied from Capital Grants Unapplied Account	1,062
<b>32,456</b>	<b>Total Grants &amp; Contributions applied</b>	<b>41,354</b>

## 27 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement requires the contractor to construct the new Voyager secondary school, and to extend and refurbish two existing secondary schools (Jack Hunt and Ken Stimpson). The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering for the next 30 years. The three schools and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration.

One of the schools has Foundation status and another has transferred to Academy status therefore in line with the Audit Commission guidance the associated assets are not recognised on the Council's Balance Sheet.

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the

contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability / performance deductions) are as follows:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
<b>Payable:</b>				
In 2012/13	1,468	3,091	3,245	7,804
Within two to five years	5,585	11,133	15,289	32,007
Within six to ten years	4,943	10,517	26,474	41,934
Within 11 to 15 years	5,920	8,351	30,064	44,335
Within 16 to 20 years	9,536	7,018	30,494	47,048
Within 21 to 25 years	11,781	2,616	35,724	50,121
Within 26 to 30 years	710	(278)	3,722	4,154
<b>Total</b>	<b>39,943</b>	<b>42,448</b>	<b>145,012</b>	<b>227,403</b>

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

31 March 2011		31 March 2012
£000		£000
(42,784)	Balance brought forward	(41,385)
1,399	Lease liability redemption in the year	1,442
<b>(41,385)</b>	<b>Value of Total Liability carried forward</b>	<b>(39,943)</b>
(1,442)	Short Term Liability	(1,468)
(39,943)	Long Term Liability	(38,475)
<b>(41,385)</b>	<b>Value of Total Liability carried forward</b>	<b>(39,943)</b>

## 28 Council as Lessee - Finance Leases

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

31 March 2011		31 March 2012
£000	Council as Lessee - Finance Leases	£000
2,946	Other Land & Buildings	2,833
2,208	Vehicles, Plant Furniture & Equipment	1,379
<b>5,154</b>	<b>Total</b>	<b>4,212</b>

Two land leases held on 999 year leases, two school leases for 125 years and a retail property held on a 99 year lease are at peppercorn rent, whilst the two industrial site units are carried on the Council's Balance Sheet as Investment Properties at the net book values shown above.

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

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

31 March 2011		31 March 2012
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000
1,102	Current	799
3,596	Non-current	2,893
21,734	Finance costs payable in future years*	21,105
<b>26,432</b>	<b>Minimum lease payments</b>	<b>24,797</b>

\* Non-Peppercorn leases range from five to ninety four years

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

31 March 2011			31 March 2012	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
1,757	1,102	Not later than one year	1,274	799
2,457	1,074	Later than one year & not later than five years	1,591	371
22,218	2,522	Later than five years *	21,932	2,522
<b>26,432</b>	<b>4,698</b>	<b>Total</b>	<b>24,797</b>	<b>3,692</b>

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2012 the minimum payments expected to be received under these sub-leases was £305k (£277k in 2010/11). The majority of the vehicles held under finance leases were used within City Services. When this department was transferred to Enterprise Peterborough the leases were retained and the vehicles sub-leased to Enterprise Peterborough. In order to achieve Best Value from the charges made by Enterprise Peterborough to the Council these sub-leases are at zero cost, offset by a reduction in the overall contract sum paid.

#### Council as Lessee - Operating Leases

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

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

31 March 2011		31 March 2012	
£000	Council as Lessee - Operating Leases		£000
645	Not later than one year		847
2,568	Later than one year & not later than five years		2,948
812	Later than five years		795
<b>4,025</b>	<b>Total</b>		<b>4,590</b>

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

31 March 2011		31 March 2012	
£000	Council as Lessee - Operating Leases		£000
851	Minimum lease payments		1,055
-	Contingent rents		-
(17)	Sublease payment receivable		(99)
<b>834</b>	<b>Total</b>		<b>956</b>

#### Council as Lessor - Finance Leases

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

#### Council as Lessor – Operating Leases

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

- For the provision of community services, such as sports facilities and community centres

- For economic development purposes to provide suitable affordable accommodation for local businesses
- To generate an income from property owned as investment property

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

31 March 2011		31 March 2012	
£000	Council as Lessor - Operating Leases	£000	
2,655	Not later than one year	3,140	
8,575	Later than one year & not later than five years	10,294	
28,214	Later than five years*	39,527	
<u>39,444</u>	<b>Total</b>	<u>52,961</u>	

\* Above operating leases range from five to 115 years

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

## 29 Financial Instruments

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

2010/11		2011/12	
£000	Financial Assets	£000	
141	Interest income	222	
325	Impairment adjustment	40	
<u>466</u>	<b>Total for Financial Assets (Note 11)</b>	<u>262</u>	
	<b>Financial Liabilities</b>		
(3,338)	Interest payable relating to PFI	(3,522)	
(6,949)	Interest payable on borrowings	(6,749)	
<u>(10,287)</u>	<b>Total for Financial Liabilities (Note 11)</b>	<u>(10,271)</u>	
<u>(9,821)</u>	<b>Net loss for the year</b>	<u>(10,009)</u>	

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

Financial Instruments Balances	31 March	Long Term £000	Current £000
Investments - Loans & Receivables	2012	158	438
	2011	457	449
Debtors - Loans & Receivables	2012	2,353	12,681
	2011	2,334	24,842
Borrowings - Financial Liabilities at Amortised Cost	2012	(115,387)	(29,213)
	2011	(115,387)	(20,883)
Other Long Term Liabilities - PFI & Finance Lease Liabilities	2012	(43,445)	-
	2011	(43,688)	-
Creditors - Financial Liabilities at Amortised Cost	2012	-	(12,526)
	2011	-	(8,385)

The Debtors figure includes a long term debtor for the Local Authority Mortgage Scheme (LAMS). In December 2011 the Council advanced £1m to Lloyds Banking Group as part of this scheme. LAMS is aimed at first time buyers and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31<sup>st</sup> March 2012 the total commitment against the £1m indemnity is £336,049.

## 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 2012 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:

<b>Fair Value of Assets and Liabilities Carried at Amortised Cost</b>	<b>31 March</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
Financial Liabilities	2012	(157,126)	(161,185)
	2011	(144,655)	(133,197)
Long Term Creditors	2012	(43,445)	(43,445)
	2011	(43,688)	(43,688)
The Fair Value of the financial liabilities in 2011/12 is higher 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.			
Loans & Receivables	2012	13,277	13,277
	2011	25,748	25,746
Long Term Debtors	2012	2,353	2,353
	2011	2,334	2,334

### 31 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Capital and Treasury Team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. This Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2011/12 Annual Investment Strategy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider and other Local Authorities.

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 £50 million in total.
- No more than £15 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 reduce risk exposure.
- 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.

The 2012/13 Annual Investment Strategy reflects the rapidly changing economic climate and the changes in the credit ratings of the financial institutions. The Strategy therefore includes a revision of the credit criteria stated above.

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.

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.

<b>Deposits with UK banks &amp; building societies (excluding Icelandic Banks)</b>		<b>£000</b>
Amount as at 31 March 2012		3,500
Historical Experience of Default %		-
Historical Experience Adjusted for Market Conditions as at 31 March 2012		-
Estimated Maximum Exposure to Default & Uncollectability Total		-
Estimated Maximum Exposure at 31 March 2012		-

Prior to 2008/09 and the experience in relation to the investments in banks with Icelandic parents, the Council had no experience of default. The following table shows the original invested amount, and current carrying value following impairment adjustments required from improved recovery rates.

The impairment has been revised in 2011/12 to reflect the improved recovery rates now expected, which is 86p to 90p in the £ for Heritable Bank (79p to 85p, 2010/11) and 81p to 86p in the £ for Kaupthing Singer & Friedlander, (65p to 78p, 2010/11).

Bank	Heritable Bank	Kaupthing Singer & Friedlander Ltd	Total
	£000	£000	£000
Date Invested	02/04/07	03/04/07	
Interest Rate	6.07%	5.90%	
Principal Amount Invested	1,000	2,000	3,000
Interest Accrued 2008/09	61	117	178
Carrying Amount	1,061	2,117	3,178
Impairment 2008/09	(326)	(1,190)	(1,516)
Impairment 2009/10	61	310	371
Impairment 2010/11	-	325	325
Impairment 2011/12	25	15	40
Total Impairment to Date	(240)	(540)	(780)
<b>Recoverable Amount</b>	<b>821</b>	<b>1,577</b>	<b>2,398</b>
Principal Default *	1.92%	3.84%	

\* *Principal Default – amount of defaulted loan as expressed as a % of the Council's average cash balance over the last five years*

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 £9m debtors balance can be analysed by age as follows:

2010/11		2011/12
£000	Age of Trade Debt	£000
5,732	Less than three months	5,154
443	Three to six months	718
550	Six months to one year	872
2,482	More than one year	2,667
9,207	<b>Total</b>	<b>9,411</b>

#### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board (PWLB) and the money market generally, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a 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 cash

outflows. Cash surpluses are typically deposited to dates when cash shortages are expected to occur.

The maturity analysis of financial liabilities is as follows:

2010/11 £000	<b>Maturity analysis of financial liabilities</b>	2011/12 £000
(29,268)	Less than one year	(41,739)
(2,247)	Between one and two years	(2,608)
(5,888)	Between two and five years	(6,406)
(150,940)	More than five years	(149,820)
<b>(188,343)</b>	<b>Total</b>	<b>(200,573)</b>

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 (Surplus) / Deficit on the Provision of Services will rise
- investments at variable rates – the interest income credited to the (Surplus) / Deficit on the Provision of Services will rise

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

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

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £20.4m but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as 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.

The Council has a £1 share in its subsidiary company, Blue Sky Peterborough. The Council is not exposed to price risk through this holding.

### 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 Inventories

31 March 2011	Inventories	31 March 2012
£000		£000
187	City Services Stores	-
185	Westcombe Industries Stock	203
112	Other Stock Balances	182
<b>484</b>	<b>Total</b>	<b>385</b>

### Landfill Allowance Trading Scheme

The balance of stock was not deemed to have a value as at 31 March 2012 (also nil value in 2010/11).

## 33 Debtors

31 March 2011	Debtors (Each item is net of impairment)	31 March 2012
£000		£000
13,546	Central Government Departments	13,134
7,709	NNDR reimbursement from pool	1,331
502	Cambridgeshire County Council	440
178	National Heritage (Lottery)	356
2,004	Cross Keys Homes	2,237
-	Peterborough Primary Care Trust	4,005
4,738	Council Tax Arrears	5,440
2,466	Payments in Advance	4,348
17,451	General Debtors	16,105
<b>48,594</b>		<b>47,396</b>
	Outstanding Balances on Loans Granted	
42	Loans to Employees (Car Purchase)	35
<b>48,636</b>	<b>Total Debtors</b>	<b>47,431</b>

### 34 Creditors

31 March 2011	Creditors	31 March 2012
£000		£000
(415)	Central Government Departments	(2)
-	Peterborough Primary Care Trust	(12,189)
(460)	Council Tax Overpaid	(564)
(1,104)	NNDR Overpaid	(711)
(7,198)	Deposits / Receipts in Advance	(2,494)
(43,824)	General Creditors	(45,236)
<b>(53,001)</b>	<b>Total Creditors</b>	<b>(61,196)</b>

### 35 Capital Grants Receipts in Advance

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

31 March 2011	Capital Grants Receipts in Advance	31 March 2012
£000		£000
(14,589)	Department of Education	(4,962)
(31)	Other Grants Received in Advance	-
(219)	Homes and Communities Agency (HCA)	(470)
(126)	Other Third Party Contributions	(39)
(2,762)	Partnership for Schools	(3,315)
(7,882)	Section 106 Contributions	(8,134)
<b>(25,609)</b>	<b>Total</b>	<b>(16,920)</b>
-	HCA - South Bank Redevelopment	(500)
<b>(25,609)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(17,420)</b>

### 36 Provisions

Provision Description	31 March 2011	Additional Provision	Amounts Used or Reversed	31 March 2012
	£000	£000	£000	£000
<b>Short Term Provisions</b>				
<u>Accumulated Absences</u> – employee holiday and flexi-time accumulated in 2011/12 and carried forward into 2012/13	(4,519)	(4,298)	4,519	(4,298)
<u>Insurance Claims</u> – 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. This provision is split into short and long term	(276)	(126)	-	(402)
<u>Payroll</u> - Redundancy related payments, regarding decisions made in 2011/12 but paid in 2012/13	-	(559)	-	(559)
<u>Charges from suppliers which are uncertain or in dispute</u> - These represent two charges from suppliers that are currently in dispute and three charges from suppliers that are of an uncertain amount	(332)	(17)	196	(153)
<u>Legal/Grant Penalty Payment</u> - Under the terms of a Grant that has been received in full, there is a possibility that the Council may have to repay a proportion under penalty clauses. The additional provision is for a potential fine against the council and for legal claims which are dependant on the result of a government or court decision	(854)	-	506	(348)
<u>Children’s Services</u> – Costs dependant on the results of an investigation	(30)	-	1	(29)
<u>Land Charges Litigation</u> – Following the Information Commission Ruling, personal search agencies are now able to reclaim the amounts paid for additional information on the land charges register	-	(475)	-	(475)
<u>Carbon Reduction Commitment Scheme (CRC)</u> – The obligation of the Council for the purchase of CRC allowances for 2011/12	-	(260)	-	(260)
<u>HMRC – SIPS and Panel Advisors</u> – HMRC ruled that School Improvement Partners and Panel Advisors were Office Holders of the Council, and so any tax and national insurance is due on any payments made	-	(16)	-	(16)
<b>Long Term Provisions</b>				
<u>Social Care Repayment</u> - 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	(68)	-	-	(68)
<u>Insurance Claims</u> – see above comments	(1,507)	-	97	(1,410)
<u>Appointee Provision</u> – Client money held on account to be repaid	(36)	-	36	-
<b>Total</b>	<b>(7,622)</b>	<b>(5,751)</b>	<b>5,355</b>	<b>(8,018)</b>

### 37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(341)	Interest Received	(299)
10,289	Interest Paid	10,315

### 38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2010/11 £000		2011/12 £000
39,456	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	58,144
-	Purchase of Short-Term & Long-term Investments	-
14,314	Other Payments for Investing Activities	17,600
(2,818)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(6,094)
(573)	Proceeds from Short-Term & Long-Term Investments	(349)
(9,330)	Other Receipts from Investing Activities	-
<u>41,049</u>	<b>Net cash flows from investing activities</b>	<u>69,301</u>

### 39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2010/11 £000		2011/12 £000
-	Cash Receipts of Short & Long Term Borrowing	(10,000)
-	Other receipts from Financing Activities	-
2,489	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	2,544
-	Repayments of Short- & Long-Term Borrowing	1,619
9,261	Other Payments for Financing Activities	5,934
<u>11,750</u>	<b>Net cash flows from financing activities</b>	<u>97</u>

### 40 Cash Flow Statement – Cash and Cash Equivalents

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

2010/11 £000		2011/12 £000
18,272	Short Term Cash Investments	3,500
79	Petty Cash & Imprest	66
(2,717)	Bank Current Accounts	(295)
<u>15,634</u>	<b>Total Cash &amp; Cash Equivalents</b>	<u>3,270</u>

## 41 Trust Funds

The Council administers 14 trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2012 was £92,508 (£94,638 at 31 March 2011). 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 £14,878 (£13,284 at 31 March 2011) all invested internally.

The Council administers a Trust Fund to support services users and their families with HIV/AIDS. In the main the Trust Fund is used to fund items such as courses, therapies and support sessions that are not provided through the main HIV/AIDS budget. The value of the fund is £11,141 (£6,873 at 31 March 2011).

As a result of the return of Adult Social Care services to the direct control of the Council the role of Appointee for Clients' monies has also been transferred. Thus responsibility for managing the financial affairs of some 152 adults and older people is now carried out by the Council. Total Client funds at 31 March 2012 was approximately £967k.

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 Comprehensive Income and Expenditure Statement.

These Trust Funds are not included in the Council's balance sheet.

## 42 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 £316,000. 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 National Joint Council (NJC) 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 1 March 2008, backdated to the 1 April 2007. Employees have the option to appeal against the initial outcomes of the re-grading process. The majority of these have now been settled but there are a small number of legal claims in process.

- 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 term and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Housing) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m.

#### **43 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.

#### **44 Accounting Standards that have been Issued but have Not Yet Been Adopted**

The adoption of amendments to IFR 7 Financial Instruments: Disclosures by the Code will result in a change of accounting policy. The amendments are intended to assist users of the financial statements to evaluate the risk exposures in relation to the transfer of financial assets and the effect of those risks on the Council's financial position. Relevant circumstances would arise where the Council retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. The Council has concluded that this amendment has no impact on the Council as it has not taken part in such activity.

#### **45 Critical Judgement in Applying Accounting Policies**

In applying the accounting policies, set out from page 66, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels for funding for local government. The current local government settlement is for two years only. Whilst the Council has

produced a ten year Medium Term Financial Strategy (MTFS), which anticipates future funding reductions and the actions which will be taken in order to achieve a balanced budget, there has been no settlement confirmation other than there remains financial uncertainty of local government funding arrangements from 2013/14 onwards. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies.

- During 2010/11 the coalition government invited all schools in England to become Academies and encourage parents to set up their own schools, called free schools. Some schools within the Peterborough area already have Academy status, with some achieving this status during 2011/12, and a few more expressing interest. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet and no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 20, page 41.
- The Council has three arrangements which it has considered against the Group Accounting criteria.

The Council has not included these arrangements as Group Accounts in the Statement for the following reasons:

- Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies. On 31<sup>st</sup> March 2011 Homes and Communities Agency and the East of England Development Agency ceased to be members of the company, leaving Peterborough City Council the sole member and guarantor.
- Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14 Related Party Transactions.
- Blue Sky Peterborough (BSP) – during the financial year the Council has established an Energy Services Company, BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As BSP is in its infancy for 2011/12, the nature of its activities and its small size, the consolidation of the figures would be immaterial and would

not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.

- For the financial year 2011/12 changes to the Section 75 partnership agreement came into effect. Due to the amendment in the risk share agreement the Council needed to adjust its accounting treatment of ASC transactions under merger accounting standards, IFRS 3 Business Combinations and FRS 6 Acquisitions and Mergers.

Under the former accounting treatment the Council paid a monthly contribution to the Pooled Partnership and collected income from clients receiving care. These transactions were shown in the Council's Comprehensive Income and Expenditure Statement (CIES) under the service line Adult Social Care. The new accounting treatment requires a more detailed breakdown of expenditure into its constituent parts. The CIES would not be affected as the pooled contribution is equal to the total expenditure on ASC services. However, the notes which support the CIES would need to be amended. Inclusion of ASC balances as at the 1 April 2011 would have a net impact of £396k on the balance sheet.

As the impact on the CIES is minimal, with the impact more presentational to the supporting notes, and as the amounts involved for the balance sheet are immaterial the Council has concluded that no additional value would be provided to the reader of the accounts. Therefore the Council has not adjusted its Balance Sheet for 2011/12. Further information can be found in Note 2, Pooled Funds and Similar Arrangements.

#### **46 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a risk of material adjustment in the forthcoming financial year are as follows:



Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £387k for every year that useful life is reduced</p>
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	<p>If an asset is impaired the carrying value of the asset is reduced.</p> <p>It is estimated that a 1% fall in market value would reduce the Council's Investment Properties and Assets Held for Sale balances by a total of £361k.</p> <p>6% of the Council's asset base is valued at Market Value, so the impact of a change in market value is limited.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.	<p>The effects on net pensions liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> <li>• a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £48m</li> <li>• a 1 year increase in member life expectancy would result in an increase in pension liability of 3% or £14m</li> <li>• a 0.5% increase in the salary increase rate would result in an increase in pension liability of 2% or £11m</li> <li>• a 0.5% increase in the pension increase rate would result in an increase in pension liability of 8% or £36m</li> </ul>
Arrears	At 31 March 2012 the Council had a balance of £8.8m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 20% or £1.8m was appropriate.	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same debt profile, an additional contribution of £178k would be set aside as an allowance.</p> <p>If 10% of the debt portfolio was one year older, a contribution of £91k</p>

Item	Uncertainties	Effect if Actual results Differ from Assumptions
		would be set aside as additional allowance.
Icelandic Investments	The investment has been impaired to reflect the recovery rates expected as at 16 May 2012. The final repayments are not anticipated until January 2014 for Kaupthing Singer & Friedlander Ltd, and April 2013 for Heritable Bank. The final cost therefore could be greater or lower depending on the final recoverable amounts and the timings of payments..	If the expected dividend was increase by 1% the amount the carrying value of the asset would increase by £112k.  If the final dividend was received a year earlier than currently anticipated, the carrying value of the asset would increase by £5k.

#### 47 Authorisation of the Accounts

The Executive Director - Strategic Resources authorises these accounts to be issued on 25 June 2012.

## The Collection Fund and Notes

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

2010/11		Collection Fund		Notes	2011/12	
£000	£000				£000	£000
		<b>Income</b>				
(61,948)		Council Tax (net)		1	(62,881)	
(12,321)		Transfer from General Fund - Council Tax benefits			(12,593)	
(80,410)		Business Ratepayers (NNDR)		2	(85,807)	
	(154,679)	<b>Total Income</b>				(161,281)
		<b>Expenditure</b>				
9,393		Cambridgeshire Police Council Precept		3	9,490	
3,206		Cambridgeshire Fire Council Precept		3	3,239	
61,060		Demand by Peterborough City Council		3	61,726	
	73,659	<b>Total Precepts</b>				74,455
79,519		Payment to NNDR National Pool			84,756	
273		NNDR cost of collection allowance			271	
	79,792	<b>Total Business Rates</b>				85,027
1,317		Change in provision		4	1,665	
	1,317	<b>Total Bad and Doubtful Debts</b>				1,665
		Contribution to previous year's estimated surplus:				
143		Cambridgeshire Police Authority		3	-	
49		Cambridgeshire and Peterborough Fire Authority		3	-	
934		Peterborough City Council		3	-	
	1,126	<b>Total Surplus Distributed</b>				-
	155,894	<b>Total Expenditure</b>				161,147
	1,215	<b>Deficit / (Surplus) for the year</b>				(134)

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## 1 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	33,545	22,363
B	7/9	18,800	14,622
C	8/9	12,631	11,228
D	9/9	6,878	6,878
E	11/9	4,042	4,940
F	13/9	1,744	2,519
G	15/9	834	1,390
H	18/9	63	126
<b>Total</b>		<b>78,537</b>	<b>64,066</b>

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 Council. The tax base used for Council Tax setting purposes after taking account of these factors was 55,971 (55,395 in 2010/11).

## 2 National Non-Domestic Rates

As at 31 March 2012 the total national non-domestic rateable value against the 2010 list was £230,176,210 (£229,205,560 at 31 March 2011) linked to 5,552 properties with the national multiplier set at 43.3p.

The amount due 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 reliefs.

## 3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

2010/11	Preceptor	Precept / Demand	Share of Surplus at 31	2011/12 Total
£000		£000	£000	£000
60,986	Peterborough City Council	61,726	110	61,836
9,381	Cambridgeshire Police	9,490	18	9,508
3,203	Cambridgeshire Fire	3,239	6	3,245
<b>73,570</b>		<b>74,455</b>	<b>134</b>	<b>74,589</b>

## 4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.3m as at 31 March 2012 against arrears of £8.2m. At 31 March 2011, the provision stood at £2.4m against arrears of £6.7m.

# Statement of Accounting Policies

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## General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

## Accruals of Income and Expenditure

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

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

service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## Cash and Cash Equivalents

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

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

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

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

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

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

### **Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service

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

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

### **Employee Benefits**

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable at 31<sup>st</sup> March of the reported period. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that

the holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits

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

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

- The NHS Pension Scheme, administered by NHS Pensions.

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

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and equally the Social Care Adults for the NHS.

### *The Local Government Pension Scheme*

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)

- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pension 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - 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 – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or 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 – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – debited to the Pension Reserve
  - contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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



### *Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (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.

### **Events after the Balance Sheet Date**

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

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

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

### **Exceptional Items**

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

## **Financial Instruments**

### Financial Liabilities

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

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

For the 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 Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the

new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

#### Financial Assets

Financial assets are classified 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the

loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at 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 Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

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

#### **Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

## Government Grants and Contributions

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

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

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

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

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

Adjustment Account once they have been applied to fund capital expenditure.

## Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant, and Equipment. However, the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. And as heritage assets held have indeterminate lives and a high residual value; the Council does not consider it appropriate to charge depreciation for the assets.

## Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **Leases**

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

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

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

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased

assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses and therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

### Council as Lessor

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Asset Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

#### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principals of the CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on the Cost of Services.

#### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administration purposes and that are expected to be used during

more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and assets under construction – depreciated historical cost.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV)

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.



Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

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.

#### Impairment

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

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

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

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

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

#### Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain

Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years

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

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

#### **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the balance sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principals as for a finance lease)

## **Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

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

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

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

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

### Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as

current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

#### Contingent Liabilities

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

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

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be

confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

#### **Reserves**

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

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

#### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a

transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**Value Added Tax (VAT)**

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

## Glossary

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*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.

*Accumulated Absences Account* – absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

*Amortisation* – the reduction in the useful economic life of a long term intangible asset, whether arising from time or obsolescence through technological or other changes.

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

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

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

*Balances* – The non-earmarked reserves of a local Council, 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 Council 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 Council'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 non-current assets used in the provision of their services.

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

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

*Capital Receipts* - Proceeds from the sale of non-current 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 Council records transactions for Council Tax, Non-Domestic (Business) Rates and residual Community Charges

*Community Assets* - Assets that the local Council 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 open spaces.

*Comprehensive Income and Expenditure Statement* - 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.

*Council* – means 'Peterborough City Council' specifically. The Council is a local Council 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 Council for work done, goods received or services rendered to the Council within the accounting period but for which payment has not been made.

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

*Current Liability* - An amount which will become payable or could be called in within the next accounting period, e.g. creditor, cash overdrawn.

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

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

*Dedicated Schools Grant (DSG)* – grant received from Department for Education to fund schools related expenditure.

*Deferred Capital Receipts Reserve* - holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

*Depreciation* - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term 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 Comprehensive Income and Expenditure Statement. This can be used to supplement a local Council'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 Comprehensive Income and Expenditure Statement of a local Council 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 an 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 Instrument Adjustment Account* – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.

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

*Long Term Asset* - An asset which has value beyond one financial year

*General Fund* - The main revenue account of a local Council which summarises the cost of all services provided by the Council 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 Council 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.

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

*IAS 19* - This is an International Accounting Standard (which replaces Financial Reporting Standard 17) 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.

*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* - 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.

*Investment Properties* – are those properties that are used solely to earn rentals and/or for capital appreciation.

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



*Local Council* – 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 Council'. In these definitions, the term 'local Council' is used to describe one or all Councils generally. Sometimes, this is shortened to just 'Council'.

*Minimum Lease Payments* – are those lease payments that the Council is, or can be, required to make.

*Minimum Revenue Provision (MRP)* - This is the minimum amount which must be charged to a local Council's Comprehensive Income and Expenditure Statement and set aside to repay debt. It is calculated by charging 4% on all borrowing up to the 1<sup>st</sup> 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.

*Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

*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.

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

*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 Council, 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 Council 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 Council revenue expenditure.

*Supported Borrowing* – the amount of borrowing assumed by Government in the calculation of their grant payment.

*Usable Reserves* – those reserves that can be applied to fund expenditure or reduce local taxation.

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

*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 Comprehensive Income and Expenditure Statement.

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PETERBOROUGH



CITY COUNCIL

# Annual Governance

# Statement - 2011/12



# Annual Governance Statement

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The Annual Governance Statement is being discussed and approved by this Audit Committee on 25 June 2012. The Statement will be included in the final published Statement of Accounts in September 2012.

Signed:

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Gillian Beasley, Chief Executive

Date:

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Signed:

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Councillor Marco Cereste, Leader of the Council

Date:

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