Statement of Accounts

2017/18

Peterborough City Council
Statement of Accounts 2017/18

133

Contents **Page**

Narrative Report

134

1 The Council's Vision and Strategic Priorities

The Council's vision is for a bigger and better Peterborough that grows the right way through truly sustainable development and growth.

The Council's priorities within the Medium Term Financial Strategy to deliver this vision are:

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

2 The Statement of Accounts

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

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

It brings together the major financial statements for the financial year 2017/18. The statements and the notes that accompany them give a full and clear picture of the financial position of Peterborough City Council.

The sections are:

- *Narrative Report* – An overview of the Council's financial and operational performance, main objectives, key risks and strategies for future service delivery.
- *Statement of Responsibilities* – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts.
- *Comprehensive Income and Expenditure Statement* – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation.
- *Movement in Reserves Statement* – The movement in the year on the different reserves held by the Council.

- *Balance Sheet* – The value of the assets and liabilities recognised by the Council at 31 March 2018.
- *Cash Flow Statement* – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties.
- *Notes to the Financial Accounts* - Statements are supported by technical notes.
- *The Collection Fund and Notes* – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the government.
- *Statement of Accounting Policies* – Outlines the significant accounting policies adopted by the Council.

3 National and Local Context

Peterborough City Council is delivering services in the most challenging financial times that local government has ever faced.

Peterborough is one of the fastest growing cities in the UK. This unprecedented growth in population brings with it substantial demands for Council services.

Nationally local government is experiencing a growing demand for services, together with an increase in the complexity of the care and support required. At the same time local government has been faced with a sharp reduction to its core funding. According to the Local Government Association councils, which have already experienced unprecedented funding cuts since 2010, will see their central government funding further cut by £2.7bn between 2018/19 and 2019/20, a 54% reduction.

Prior to the General Election of June 2017, it was the government's intention to make changes to the way local government is funded, by introducing a system of 100% business rates retention and a new fairer funding mechanism. Since then the proposal for a new business rates retention scheme has been reduced to 75% and The Ministry of Housing Communities and Local Government (MHCLG) has started to consult on the methodology for a fairer funding allocation. The Council has made representation on working groups for this, alongside other Local Government colleagues and has provided comprehensive responses to the consultations to date.

The change to the model used for future funding allocations creates uncertainty for the Council. At this stage there is no information available to enable the Council to project future funding levels. The Council will closely monitor this and represent residents and businesses of the City by contributing towards the consultation process.

4 Managing Organisational Performance

The Council's priorities are embedded within the budget-setting process and alongside these the Council has identified five fundamental areas, which will be developed, to ensure the delivery of a sustainable budget:

- Expanding commercial income
- Continuing to innovate and develop efficiencies
- Mitigating and controlling service demand pressures
- Continuing to seek to maximise funding
- Reviewing discretionary services expenditure

The Council continues to have robust arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to ensure it delivers value for money services to residents.

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and from November 2017 is considered by Cabinet on a monthly basis.

Budget risks are reported to the CMT to ensure swift management action is taken to mitigate them. Monitoring enables CMT to make informed decisions which ensures planned and sustainable outcomes.

During 2017/18 the Chief Financial Officer (Section 151) led a full financial resilience review of the Councils finances, with officers from the finance function fully scrutinising departmental budgets and balances. As part of this work, and through regular budget monitoring, budget pressures identified were factored into budget proposals and incorporated in the budget planning process for 2018/19 and beyond.

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

The Council has recently adopted an enhanced risk management approach which is linked to the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement which is included as an annex to the Statement of Accounts.

An officer led Capital Review Group has been established during 2017/18. This group has the responsibility of reviewing all aspects of the Council's Capital Programme, including reviewing the progress of projects, monitoring capital receipts and scrutinising new proposals before recommending to CMT.

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

Other key performance indicators (KPI) include the Council's payment and debt collection performance, and are also contained in the outturn report to Cabinet. The following are a sample of the 2017/18 KPI's reported:

- Prompt payment of invoices to suppliers – 82.45% (78.3%, 2016/17) of invoices are paid promptly (within 30 days).
- Speed of collecting debtor accounts – a total of £56.9m of invoices was raised with a total of £56.2m collected (across all sundry debt)
- The collection of council tax and business rates. – Council tax collection rate for was 95.93% (95.48%, 2016/17) and business rates collection rate was 95.85% (97.90%, 2016/17)
- Financing costs as a proportion of the revenue budget- 3.7%

5 Revenue Position

The final revenue outturn is a surplus of £6.9m. This is primarily a result of underspends within Growth and Regeneration and the

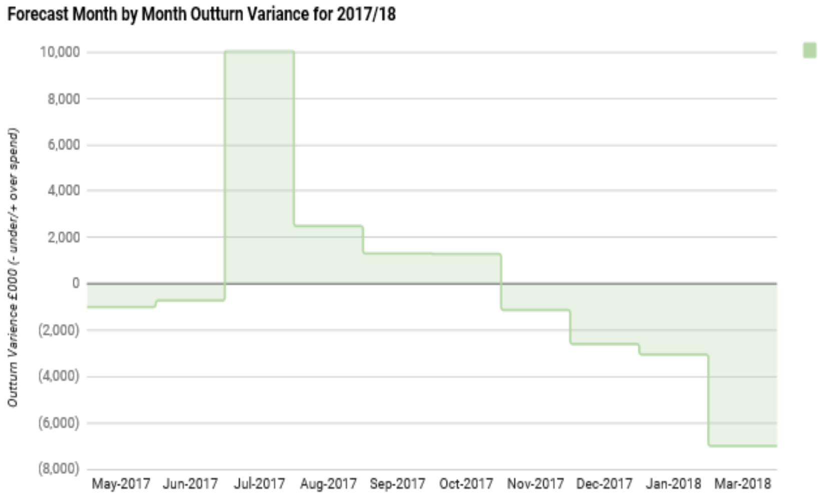
Resources directorates as a result of efficiencies and enhanced spending controls offset by spending pressures in People and Communities directorate.

The position reflects the continued focus on managing within budgets set as part of the budget setting process and improving efficiencies further. The following table shows how directorates performed against budget in 2017/18. Further detail is provided in the outturn report to be presented to Cabinet on 4 June 2018.

Net Revenue Expenditure	**Revised Budget £000**	**Actual £000**	**Cont to Reserve £000**	**Variance £000**
Chief Executive	1,816	1,426	20	(370)
Governance	4,627	4,499	39	(89)
Growth & Regeneration	25,585	22,196	344	(3,045)
People & Communities	75,055	71,210	4,561	716
Public Health	207	1	-	(206)
Resources	40,945	36,386	559	(4,000)
Total Council Expenditure	**148,235**	**135,718**	**5,523**	**(6,994)**
Financing Adjustment				**140**
Revised Underspend				**(6,854)**
Transfer to Capacity Building Reserve				**6,854**

The 2017/18 surplus has been transferred to the Capacity Building Reserve. The changes to the reserves are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS) (see page 19 and Note 17, page 49).

The revenue cost of financing the Council's borrowing totalled £14.2m in the year ending 31 March 2018, compared to £13.7m in the year ending 31 March 2017 (see Note 28, page 59). The Council continues to be able to finance its borrowing requirements at advantageous rates.



The previous chart illustrates how the forecast outturn fluctuated through the year as more detailed information on performance became available. This demonstrates the results of actions taken by management to reduce and managed the budget pressures occurring in year following earlier indications of a forecast outturn overspend. Successful mitigating actions resulted in the surplus position of £6.9m.

In July 2017 the forecast overspend reached £10m which was largely the result of updated information in respect of income to be received from the sale of Council assets. Continued monitoring meant that as the year progressed, and further action was taken, the Council was able to place greater certainty on receipts from capital asset sales and the Council was able to update its assumptions on managing the forecast overspend.

Reserves Balances

As at 31 March 2018, the balance on the General Fund has not changed from previous years, remaining at £6.0m. This is in line with the approved Medium Term Financial Strategy (MTFS).

Schools balances totalled £5.6m at 31 March 2018, compared with £5.4m at 31 March 2017. This increase is a result of local school decisions which reflect planned future use to fund projects such as a restructure or implement a cost- saving idea and to help keep pace with increasing costs and reduced funding. The Council has a mechanism for reviewing the levels of reserves balances for schools, and allows up to 8% of their delegated budget share to be held.

During the year, the Council transferred a total of £7.7m to the Capacity Building Reserve. Partly from the £6.9m departmental underspends and £0.8m release of earmarked reserves no longer required. This reserve will be used for future service transformation of the Council which will be required to meet the decrease in future funding levels.

Departmental reserves increase of £1.3m relates to grant funding which has been received and not fully expensed throughout the year.

Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis

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

- The Comprehensive Income and Expenditure Statement (CIES), shows revenue expenditure; income; and net expenditure for 2017/18 under proper accounting practices (see page 18).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2017/18 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 15, page 39).

Both EFA and CIES include comparative figures for 2016/17. The statements use the Council's management structure for reporting net expenditure.

The Council's reported outturn position, outlined above, does not directly correlate directly with the EFA. This is due to the way movements in earmarked reserves and schools balances are reported.

6 Capital and Treasury Position

The following table shows capital budgets as agreed for the 2017/18 MTFS of £219.3m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £324.7m. The final revised budget, as reported at 31 January 2018, was £92.8m. This compares to the final expenditure for each directorates and how this investment is planned to be financed £80.3m.

Capital Expenditure	2017/18 MTFS Budget £000	Revised Budget Apr 2017 £000	Revised Budget Jan 18 £000	Actual £000
Governance	-	49	-	-
Growth & Regeneration	37,064	44,704	32,000	28,662
People & Communities	65,916	77,783	36,549	32,921
Resources	23,378	32,575	8,954	5,086
Invest to Save	92,954	169,547	15,288	13,584
TOTAL	**219,312**	**324,658**	**92,791**	**80,253**
Financed by:				
Grants & Contributions	44,259	50,297	39,773	36,531
Borrowing	174,111	273,277	51,935	42,639
Capital Receipts (repayment of loans)	942	1,083	1,083	1,083
TOTAL	**219,312**	**324,658**	**92,791**	**80,253**

Major projects which progressed during 2017/18 and included in the expenditure figures in the previous table are:

- Nene Park Academy expansion - £4.0m
- Jack Hunt Expansion - £3.0m
- Ormiston Bushfields Academy expansion - £2.6m
- Clare Lodge Phase 6 - £3.4m
- Street Lighting LED project - £6m
- Housing Joint Venture (Purchase of Midland Rd) - £2.9m

Capital expenditure has been financed by grants, third party contributions and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25 pages 33 and 59.

The Council has a proactive approach to investing and regenerating the City, with examples for 2017/18 including:

- The process to regenerate a large area of the city, known as Fletton Quays, with the Peterborough Investment Partnership (PIP). This scheme has continued to progress during 2017/18 with the Council on target to move in to its new offices, Sandmartin House, from July 2018. Other businesses and housing on site are under construction with some homes already reserved for sale. Fletton Quays is now known as a flagship development for the city.
- In October 2016, the Council announced that it will play the lead role in the comprehensive redevelopment of North Westgate. The Council will invest up to £15m of funding over the next three years to buy land and property in the area. The plan has progressed throughout the year with designs for the scheme being developed, as well as property acquisitions within the development area taking place.
- The Council entered in to a Partnership with Cross Keys Homes Developments Ltd to create Medesham Homes LLP. This partnership has been established with the purpose of delivering a housing strategy for the City, including affordable and temporary housing. In January 2018, Cabinet approved up to £4m of funding to Medesham Homes LLP, to secure the opportunity to purchase 29 units of accommodation at Midland Road. These properties will be exclusively leased to the Council and forms part of the strategy to prevent homelessness.
- Peterborough Highway Services has progressed the Bourges Boulevard phase two scheme, which aims to improve the appearance, safety and traffic flow around the City Centre. The £9.2m grant funded scheme has seen

areas of lower Bridge Street repaved, new seating and cycle routes installed as well as three pieces of public art being displayed. The Queensgate footbridge has been fully refurbished as part of these works. This scheme has improved the public realm across the city centre and the final stage, which includes improvements to the Rivergate Gyratory is set to complete in August 2018, finalising the scheme.

Borrowing and Investments

The Treasury Management Strategy (TMS), approved as part of the 2017/18 MTFS at Council in March 2017, details the framework within which the Council's capital investment plans are to be delivered.

The following table shows that at 31 March 2018 the Council had net borrowings including cash and outstanding interest of £415.2m (£385.0m in 2016/17).

2016/17		**2017/18**
£m		**£m**
39.6	Short Term Borrowing	43.1
359.0	Long Term Borrowing	380.1
(13.6)	Investments	(8.0)
385.0	**Net Borrowing**	**415.2**

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

- the Public Works Loan Board (PLWB)
- other Local Authorities

The Council invested in money market funds in 2017/18. This has enhanced the management of treasury risk by diversifying the investment portfolio and increasing investment returns.

The Council's cash flow position is closely monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £42.7m, actual gross borrowing increased by £24.6m (net £30.1m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

7 Council Performance 2017/18

Key achievements over the past 12 months include:

- Peterborough is one of the fastest growing areas in the country. Between 2001 and 2011 the population increased by 17.7% to 183,600. In 2016 the city's population was estimated at 198,100.
- Peterborough was listed as experiencing the highest levels of housing growth in the 2017 Centres for Cities report 'Cities Outlook 2017' report.
- Unemployment levels fell to 1,775 (1.4%), over the same period the national rate went up from 1.8% to 1.9%.
- Opportunity Peterborough assisted 14 businesses moving into the city, creating 1,903 jobs.
- The Council maintained 578 miles of road, over 350 bridge structures, 24,000 street lighting columns, 719 miles of footpaths and 155 miles of off-road cycle ways.
- 6,653 potholes repaired throughout 2017/18.

- 88% of City pupils attend a school rated good or outstanding by Ofsted.
- A new innovative approach to keeping children and families safe, the Family Safeguarding Service, will be piloted in Peterborough thanks to a successful bid for £2.6m from the Department for Education.
- Managed the Energy Recovery Facility, which diverts up to 99%, 85,000 tonnes annually, of non-recyclable domestic waste from landfill.
- Launched the SaferPeterborough Prevention and Enforcement Service and established two Public Space Protection Orders to combat anti-social behaviour in the city.
- 7,000 homes have taken up the Peterborough Energy Tariff, saving £1.5m in total, an annual household saving of £122.
- The Council, as part of a Joint Venture, has led the comprehensive £120m Fletton Quays redevelopment project. This includes investment in an Arts Hub on site, and a 160 bed hotel, which the Council has agreed a lending facility of £15m to the developer to support the construction.
- The 2017 Perkins Great Eastern Run, arranged by Peterborough City Council, had the highest turnout of runners in its 34 year history.

8 Changes to Service Delivery and Operations

The Council is continuing to build on closer working partnerships with neighbouring councils. The role of Corporate Director of People and Communities has been shared with Cambridgeshire County Council since October 2016. In June 2017 this arrangement was made permanent, with the addition of a further six management posts within the department becoming shared.

This joint approach is strengthening services for children, families and adults in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the county. These new arrangements demonstrate the continued approach by both Councils to find ways to save money in the face of austerity, an approach which will continue to grow with pursuit of further shared services and integration.

Throughout the year there has been a number of changes in key personnel. The Chief Financial Officer (Section 151), formally known as the Corporate: Director Resources resigned with effect from 31 July 2017. This role was then filled by an Interim, Marion Kelly, from 1 August 2017 to 29 March 2018. The post is now being covered by Peter Carpenter, in an internal acting up arrangement.

The Director of Governance was seconded to act as Monitoring Officer for Cambridgeshire & Peterborough Combined Authority (CPCA) part time until 30 June 2017 then full time until 27 November 2017 at which point they left their substantive post to take up the CPCA role permanently. From 1 July 2017 the Council's Monitoring Officer role has been covered by two successive interims. Further information on the changes in key personnel can be found in Note 8 , page 30.

Throughout 2017/18 the Council continued to face unprecedented demand for housing. The Council has focussed its attention on preventing families from becoming homeless and the development of housing solutions. In July 2017, following extensive refurbishment works, the Council fully utilised 53 units at Elizabeth Court. This facility is being leased by the Council, with management provided by Cross Keys Homes. These facilities have enabled the Council to house people currently staying in temporary accommodation across the City, including those previously in bed and breakfast hotels. The Council has continued to pursue an increase in housing provision with 29 units at Midland Road and 43 units at Bretton Court being identified. These developments have meant that the Council has been able to support families and prevent them from becoming homeless, significantly reducing pressure on the Council's finances.

The Adolescent and Children's Trust (TACT) took over the management of the Council's fostering and adoption services from April 2017. TACT is the UK's largest dedicated fostering and adoption charity. The new TACT Peterborough Permanency service will reduce reliance on higher cost independent fostering and residential placements. It will provide improved training and 24/7 support for Peterborough foster carers.

The Council is adopting an agile approach to the way it works. This approach is supported through the adoption of new software applications and equipment, associated training into maximising efficiency gains and use of a modern working environment which facilitates new, agile working styles at Sand Martin House, Fletton Quays. The first group of staff are set to move to the new premises in July 2018.

In keeping with using technology to realise benefits the Council closed its cash offices in March 2018, with all payment options being offered online.

9 Strategy for Future Sustainability

The Council continues to face significant challenges in the amount of funding available and increased demand for services. The Council's MTFS for 2018/19 was balanced by the identification of £22.2m of budget reductions, and the use of £4.2m from reserves.

A copy of the Council's MTFS for 2018/19-2020/21 can be found via the Council's website[1]. A summary of the budget changes agreed at Council on 7 March 2018 and the financial challenge, which still remains, is outlined in the following table. The Council will need to identify budget reductions totalling £19.3m, by 2020/21 to set a balanced budget.

Summary Budget Position	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Budget Gap without the Use of Reserves	**19,037**	**21,246**	**28,853**
2018/19- Phase One			
Pressures	4,857	6,642	10,883
Budget Reductions and Additional Income	(8,194)	(6,528)	(4,526)
Revised Budget Gap	**15,700**	**21,360**	**35,210**
2018/19- Phase Two			
Pressures	2,494	3,691	3,779
Budget Reductions and Additional Income	(13,963)	(12,339)	(19,673)
Revised Budget Gap	**4,231**	**12,712**	**19,316**
One-off use of Reserves	(4,231)		
Final Budget Gap	**-**	**12,712**	**19,316**

The Council has taken the decision to levy a 3% Adult Social Care precept for 2018/19, along with 97% of other councils with social care responsibility. This income will be used in

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

conjunction with the additional £2.2m (2018/19 allocation) of adult social care funding announced in 2017, to relieve pressure on Adult Social Care budgets and to protect vulnerable adults in the community. The Council also increased general council tax by 2.99%, following a change to the referendum limit announced as part of the 2018/19 Provisional Local Government Finance settlement in December 2017.

Efficiencies and one-off budget reductions has meant that the Council has been able to make minimal reductions to service levels in its 2018/19 MTFS. This has been possible through sound strategic financial planning and the hard work of Council staff, who are committed to work more efficiently and generate additional income as alternatives to reducing levels of service for the City's residents.

Careful financial and performance monitoring will continue throughout 2018/19, with an enhancement to the frequency of reports and the type rigour applied. An April 2018 budget monitoring report is planned for Cabinet on 4 June 2018, to ensure early action is taken to resolve issues and visibility is given to the Council's financial and operational performance. These actions will ensure expenditure remains within budget limits, and saving plans are on track for delivery.

Work has already commenced to address the estimated £12.7m budget gap in 2019/20, which is estimated to rise to £19.3m in 2020/21. The Council is focussing on creating a sustainable budget for the future and as agreed at the Council meeting on 7 March 2018, the budget process will become a rolling process throughout the year with more frequent updated information being reported and consulted on. The first tranche of the budget is set to be launched on 11 June 2018, with further reviews in Autumn and Winter.

The Council is exploring opportunities in the form of shared services with Cambridgeshire County Council (CCC). With the Council aiming to build on past success by sharing further positions within the leadership and management structure, consolidate back office services such as Finance, HR, Business Support, ICT and Legal and Democratic services. The plans also include maximising efficiencies from sharing systems, procurement and premises. It is currently estimated that these opportunities could generate saving of £9.0m by 2020/21, and this target has been incorporated within the current MTFS.

By 2020/21 it is expected that a system of 75% Business Rates retention and a new fairer funding formula will replace the current grants system. It is not currently known what the financial impact will be on Peterborough. However, it is anticipated that there will be increased volatility as the Council will be exposed to a greater proportion of Business Rate cash flows and the impact of valuation appeals. Consultation on the final Fairer Funding methodology is ongoing. It will be essential for the Council to monitor this development and ensure that its particular spending needs are recognised in any new formulae.

10 Risks, Challenges and Mitigating Action

The Council has recently enhanced its Risk Management Board, led by the Director of Growth and Regeneration. The Board challenges and supports risk management across the council and partner organisations.

The most current substantial risks have been identified and considered by the CMT, with reasonable mitigation made where possible, these include:

- Demand Led Services - the Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. The demographics associated with these services will remain under regular review throughout the year.
- Levels of One-off Non-repeatable Savings - the Council has used a number of non-repeatable budget savings and while this provides CMT and Cabinet time to implement fully appraised service strategies, it also defers the impact of reduced funding. To ensure the timely delivery of sustainable savings options the Council has introduced a rolling budget process.
- Savings Delivery - the achievement of a balanced and sustainable budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. The Council is planning a programme of transformation where services will be shared and integrated with Cambridgeshire County Council. A target has been allocated against this activity in the MTFS, and as this transformation is in the early stages, there is a risk attached to the timing of the delivery. Progress against all saving proposals will be monitored as part of the regular budgetary control cycle and reported to CMT and Cabinet accordingly.
- Business Rates, Council Tax and Income Levels - the council heavily relies on income generated from council tax, business rates and other income streams such as parking, planning and other fees and charges. This is dependent on prompt debt collection and accurate forecasting. There is a risk that collection rates could decline or growth assumptions built in to the budget are beyond that actually achieved. However, finance officers use a detailed approach to forecasting to increase the level of integrity and confidence in figures. Provision are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis.
- Business Rates Retention and Fairer Funding – the uncertainty surrounding the future funding model for the Council presents a financial risk to the available resources the Council has to be able to deliver services. The Council will monitor progress on this closely and input in to the various consultations, to ensure its funding requirements are voiced.
- Capital Receipts and Funding - the Council is currently reliant on maximising the revenue benefit of capital receipts, with £12.7m built in to the 2017/18 budget and £2.9m in 2018/19. If these are not achieved there is a risk to the revenue outturn position.

  The Capital programme is partially reliant on developer contributions as well as successful bids for external funding. These funding streams are not guaranteed and could be impacted by a downturn in development or the economy.

  The Council monitors the forecasts for sale completions and valuations with extreme caution to ensure the correct value has been accounted for within the MTFS. It also takes a pro-active approach in successfully bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG)

145

11 Summary

The Council continues to provide services that matter to the residents of Peterborough against the challenges of reduced funding and growing service demand. This is being achieved through finding innovative, efficient and effective ways of working, working more closely with neighbouring authorities and partners in the health service, adopting more early intervention and preventative action and seeking value for money from our contracts and future procurement. The Council will endeavour to protect services and avoid drastic cuts. The Council is aspiring to become more self-sufficient through greater levels of commercialisation being applied to all activities it undertakes.

The Council approved the revenue and capital budget requirement for 2018/19 in its MTFS. The budget supported the Council's key priorities and included £22.2m of budget reductions, and the use of £4.2m from the Grant Equalisation reserve. The budget gap in 2019/20 remains at £12.7m, rising to £19.3m in 2020/21. The Council still remains in a difficult financial position, however it will continue to be proactive in making decisions on how it can best deliver services within its financial envelope.

The Council has successfully managed the financial challenges during 2017/18, by being alert to service and budget pressures, and balancing the demands of local circumstances with the financial constraints of the national economic climate. The action taken by Cabinet and CMT has meant that the Council generated a surplus of £6.9m, which increased reserves balances to support the cost of future service transformation.

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 and performance of the Council.

Peter Carpenter
Acting Director of Corporate Resources

Independent Auditors’ Report to the Members of Peterborough City Council

To be added following conclusion of audit July 2018

147

To be added following conclusion of audit July 2018

To be added following conclusion of audit July 2018

148

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

149

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2018 was approved at the meeting of the Audit Committee on 16 July 2018.

Signed on behalf of Peterborough City Council:

Chairperson of meeting approving the accounts:

David Over

Date: July 2018

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 18 to 90 present a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Acting Director of Corporate Resources:

Peter Carpenter

Date: July 2018

Comprehensive Income and Expenditure Statement (CIES)

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

*Restated 2016/17**					**2017/18**		
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £000*	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes (From Page 22)**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,110	*(595)*	*1,515*	Chief Executives		2,183	(626)	1,557
5,879	*(1,487)*	*4,392*	Governance	4	6,486	(1,779)	4,707
313,127	*(218,439)*	*94,688*	People & Communities	1,2, 6	317,759	(226,364)	91,395
111,325	*(89,358)*	*21,967*	Resources	3	114,033	(90,122)	23,911
50,121	*(12,050)*	*38,071*	Growth & Regeneration		57,696	(13,117)	44,579
11,658	*(11,613)*	*45*	Public Health	6	11,371	(11,353)	18
494,220	*(333,542)*	*160,678*	**Cost of Services**		**509,528**	**(343,361)**	**166,167**
3,540	*(4,892)*	*(1,352)*	Other Operating Income & Expenditure	9	15,859	(14,726)	1,133
58,667	*(7,481)*	*51,186*	Financing & Investment Income & Expenditure	10,11	52,667	(6,481)	46,186
7,155	*(168,493)*	*(161,338)*	Taxation & Non-Specific Grant Income & Expenditure	12	2,514	(167,046)	(164,532)
563,582	*(514,408)*	*49,174*	**(Surplus) / Deficit on Provision of Services**	15	**580,568**	**(531,614)**	**48,954**
		(45,908)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(4,425)
		24,828	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			(6,557)
		(21,080)	**Other Comprehensive Income & Expenditure**				**(10,982)**
		28,094	**Total Comprehensive Income & Expenditure**				**37,972**

** Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.*

Movement in Reserves Statement (MIRS)

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

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 16, page 42.

Movement in Reserves during 2016/17 and 2017/18	**Note**	**General Fund Balance**	**Schools' Balances**	**Earmarked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	16	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2016		*(6,000)*	*(6,183)*	*(30,207)*	*(1,251)*	*(1,006)*	*(44,647)*	*86,138*	*41,491*
Total Comprehensive Income & Expenditure		*48,397*	*777*	*-*	*-*	*-*	*49,174*	*(21,080)*	*28,094*
Adjustments between accounting basis & funding basis under regulations		*(51,165)*	*-*	*-*	*1,251*	*(204)*	*(50,118)*	*50,118*	*-*
Net Increase / Decrease before Transfers to Earmarked Reserves		*(2,768)*	*777*	*-*	*1,251*	*(204)*	*(944)*	*29,038*	*28,094*
Transfers to / (from) Earmarked Reserves		*2,768*	*-*	*(2,768)*	*-*	*-*	*-*	*-*	*-*
(Increase0 /Decrease in 2016/17		*-*	*777*	*(2,768)*	*1,251*	*(204)*	*(944)*	*29,038*	*28,094*
Restated Balance at 31 March 2017 Carried Forward		*(6,000)*	*(5,406)*	*(32,975)*	*-*	*(1,210)*	*(45,591)*	*115,176*	*69,585*
Balance at 1 April 2017		**(6,000)**	**(5,406)**	**(32,975)**	**-**	**(1,210)**	**(45,591)**	**115,176**	**69,585**
Total Comprehensive Income & Expenditure		49,107	(153)	-	-	-	*48,954*	(10,982)	37,972
Adjustments between accounting basis & funding basis under regulations		(51,031)	-	-	-	(6)	(51,037)	51,037	-
Net Increase before Transfers to Earmarked Reserves		(1,924)	(153)	-	-	(6)	(2,083)	40,055	37,972
Transfers to / (from) Earmarked Reserves		1,924	-	(1,924)	-	-	-	-	-
(Increase) / Decrease in 2017/18		**-**	**(153)**	**(1,924)**	**-**	**(6)**	**(2,083)**	**40,055**	**37,972**
Balance at 31 March 2018 Carried Forward		**(6,000)**	**(5,559)**	**(34,899)**	**-**	**(1,216)**	**(47,674)**	**155,231**	**107,557**

Balance Sheet

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

- The first category of reserve are usable reserves, 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 19, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017	**Balance Sheet**	**Notes**	**31 March 2018**
£000			**£000**
607,938	Property, Plant & Equipment	18	591,691
30,413	Investment Property	19	21,797
10,141	Intangible Assets	20	8,978
8,927	Long term Debtors	28, 29	7,787
657,419	**Long Term Assets**		**630,253**
30	Short Term Investments	28	25
356	Inventories	31	436
61,522	Short Term Debtors	32	83,535
16,427	Cash & Cash Equivalents	29, 40	8,756
244	Current Intangible Asset	33	285
-	Assets Held for Sale	21	80
78,579	**Current Assets**		**93,117**
(39,629)	Short Term Borrowing	28	(43,074)
(65,520)	Short Term Creditors	35	(68,997)
(5,621)	Provisions	34	(6,698)
(110,770)	**Current Liabilities**		**(118,769)**
(272,287)	Long Term Creditors	7	(277,276)
(203)	Provisions	34	(142)
(358,976)	Long Term Borrowing	28	(380,087)
(35,559)	Other Long Term Liabilities	26, 27, 28, 29	(33,847)
(27,788)	Capital Grants Receipts in Advance	36	(20,806)
(694,813)	**Long Term Liabilities**		**(712,158)**
(69,585)	**Net (Liabilities) / Assets**		**(107,557)**
(45,591)	Usable Reserves	16	(47,674)
115,176	Unusable Reserves	16	155,231
69,585	**Total Reserves**		**107,557**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/17 *£000*	**Cash Flow Statement**	**Notes**	**2017/18** **£000**
49,174	Net (Surplus) / Deficit on the Provision of Services		48,954
(41,641)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(24,896)
(53,053)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(64,871)
(45,520)	**Net Cash Flows from Operating Activities**		**(40,813)**
72,377	Investing Activities	38	78,674
(31,650)	Financing Activities	39	(30,190)
(4,793)	**Net (Increase) / Decrease in Cash & Cash Equivalents**		**7,671**
11,634	Cash & Cash Equivalents at the Beginning of the Reporting Period		16,427
4,793	Increase / (Decrease) in Cash and Cash Equivalents		(7,671)
16,427	**Cash & Cash Equivalents at the end of the Reporting Period**	40	**8,756**

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2017/18 and for the previous financial year 2016/17 are as follows:

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure £000**	**ISB £000**	**Total £000**
Final DSG for 2017/18 before Academy recoupment			(193,422)
Academy figure recouped for 2017/18			76,815
Total DSG after Academy recoupment for 2017/18			(116,607)
Brought forward from 2016/17			(5,410)
Carry forward to 2018/19 agreed in advance			-
Agreed initial budgeted distribution in 2017/18	(41,154)	(80,863)	(122,017)
In year adjustments	(369)	-	(369)
Final budgeted distribution for 2017/18	(41,523)	(80,863)	(122,386)
Less actual central expenditure	39,404	-	39,404
Less actual ISB deployed to schools	-	80,863	80,863
Plus Council contribution for 2017/18	-	-	-
Carry Forward to 2018/19	**(2,119)**	**-**	**(2,119)**
Total amount carried forward			**(2,119)**

The Council's expenditure on running schools is funded primarily by DSG provided by the Education Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Schools Budget Funded by Dedicated Schools Grant	*Central Expenditure £000*	*ISB £000*	*Total £000*
Final DSG for 2016/17 before Academy recoupment			*(185,760)*
Academy figure recouped for 2016/17			*66,987*
Total DSG after Academy recoupment for 2016/17			*(118,773)*
Brought forward from 2015/16			*(5,747)*
Carry forward to 2017/18 agreed in advance			*-*
Agreed initial budgeted distribution in 2016/17	*(39,309)*	*(85,211)*	*(124,520)*
In year adjustments	*(371)*	*-*	*(371)*
Final budgeted distribution for 2016/17	*(39,680)*	*(85,211)*	*(124,891)*
Less actual central expenditure	*34,270*	*-*	*34,270*
Less actual ISB deployed to schools	*-*	*85,211*	*85,211*
Plus Council contribution for 2016/17	*-*	*-*	*-*
Carry Forward to 2017/18	*(5,410)*	*-*	*(5,410)*
Total amount carried forward			*(5,410)*

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment

Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Better Care Fund (BCF)

Local Better Care Funds have been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that CPCCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with CPCCG sets out contribution levels and performance measurements.

The BCF value for 2017/18 was £13.0m (2016/17 £12.6m) of which £6.6m (2016/17 £6.4m) is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £1.7m (2016/17 £1.5m) directly received capital funding and £4.7m (2016/17 £4.7m) retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for commissioning and providing specialist health related learning disability services. The annual agreement for 2017/18 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the People & Communities line in the CIES of £0.9m (2016/17 £0.9m).

Integrated Community Equipment Services (ICES)

The annual S75 agreement for 2017/18 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.3m (2016/17 £0.3m) to this pooled partnership is shown in the People & Communities line in the CIES.

Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this pooled partnership of £1.2m (2016/17 £1.2m) is shown in the People & Communities line in the CIES.

3 External Audit Costs

The Council has incurred the following cost on the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors, Ernst and Young LLP (EY).

Restated 2016/17 £000*	**External Audit Costs**	**2017/18 £000**
131	Fees payable with regard to external audit services carried out by the appointed auditor	135
-	Other services provided by the appointed auditor	-
131	**Total**	**135**

** 16/17 figures have been restated to reflect final payments in relation to that year.*

4 Member's Allowances

The following amounts were paid to members of the Council. This has increased in 2017/18 due to an increase in the number of councillors from 57 to 60 and from an increase in the amount of allowances paid. The level of member allowances is recommended by an independent panel. Councillors had not accepted any increases to their allowances since 2009. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis.

2016/17 £000	**Member's Allowances**	**2017/18 £000**
693	Allowances	839
2	Expenses	1
695	**Total**	**840**

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £1.2m (2016/17 £0.7m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

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

2016/17 (Restated) £000*	**Termination Benefits**	**2017/18 £000**
86	Governance	8
-	Growth and Regeneration	51
192	People & Communities	867
357	People & Communities (Schools)	133
20	Resources	110
655	**Total**	**1,169**

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

Termination and Exit Packages 2017/18

Compulsory No.	**Voluntary No.**	**Total No.**	**Bands**	**Compulsory £000**	**Voluntary £000**	**Total £000**	Pension Strain inc. in total [1] £000
5	30	35	£0 - £39,999	31	344	375	22
-	9	9	£40,000 - £59,999	-	421	421	45
-	2	2	£60,000 - £79,999	-	140	140	53
-	2	2	£80,000 - £149,999	-	233	233	63
5	**43**	**48**	**Total**	**31**	**1,138**	**1,169**	183

Termination and Exit Packages 2016/17 (Restated)*

Compulsory No.	*Voluntary No.*	*Total No.*	*Bands*	*Compulsory £000*	*Voluntary £000*	*Total £000*	*Pension Strain inc. in total [1] £000*
16	*25*	*41*	*£0 - £19,999*	*69*	*156*	*225*	*9*
3	*9*	*12*	*£20,000 - £39,999*	*72*	*226*	*298*	*88*
-	*3*	*3*	*£40,000 - £59,999*	*-*	*132*	*132*	*22*
-	*-*	*-*	*£60,000 - £79,999*	*-*	*-*	*-*	*-*
-	*-*	*-*	*£80,000 - £99,999*	*-*	*-*	*-*	*-*
-	*-*	*-*	*£100,000 - £149,999*	*-*	*-*	*-*	*-*
19	*37*	*56*	*Total*	*141*	*514*	*655*	*119*

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

* *Restated following a review of the definition of exit packages to be included in the note*

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

In 2017/18 the Council paid £6.2m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2016/17 were £6.4m and 16.5%. 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 included in Note 7. The Council is not liable to the Scheme for any other entities' obligations under the plan.

NHS Pension Scheme

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

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

In 2017/18 the Council paid £0.2m to NHS Pensions in respect of employee's retirement benefits, representing 14.3% of pensionable pay. The figures for 2016/17 were £0.2m and 14.3%.

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

Transactions Relating to Post-Employment Benefits

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

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

2016/17 £000	**Comprehensive Income & Expenditure Statement**	**2017/18 £000**
	Cost of Services:	
14,755	Current service cost	23,163
113	Past service cost	19
-	Effect of settlements	(3,713)
	Financing & Investment Income & Expenditure	
(12,252)	Interest Income on Scheme Assets	(11,602)
20,616	Interest Cost on Defined Benefit Obligation	18,713
23,232	**Total post-employment benefit charged to the Deficit on the Provision of Services**	**26,580**
	Other employment benefit charged to the CIES	
(82,622)	Return on plan assets (excluding the amount included in the net interest expense)	7,700
(5,571)	Actuarial gains and losses arising on changes in demographic assumptions	-
108,777	Actuarial gains and losses arising on changes in financial assumptions	(14,365)
4,388	Other Experience	(133)
(144)	Adjustment to actuarial estimate contribution	241
24,828	Total Remeasurements Recognised in CIES	(6,557)
48,060	**Total post-employment benefit charged to the CIES**	**20,023**
	Movement in Reserves Statement	
(48,060)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(20,023)
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,137	Employer's contributions payable to scheme	15,034
(32,923)	**Total Movement in Reserves Statement**	**(4,989)**

31 March 2017 £000	**Pensions Assets and Liabilities Recognised in the Balance Sheet**	**31 March 2018** £000
446,376	Fair Value of Employer Assets	451,045
(695,448)	Present Value of Funded Liabilities	(706,119)
(23,215)	Present Value of Unfunded Liabilities	(22,202)
(272,287)	**Total**	**(277,276)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £277.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 47. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2017 £000	**Reconciliation of the Fair Value of the Scheme Assets**	**31 March 2018 £000**
349,105	Opening fair value of Scheme Assets	446,376
12,252	Interest Income	11,602
82,622	Return on plan assets, excluding the amount included in the net interest expense	(7,700)
-	Effect of Settlements	(1,029)
15,137	Contributions from Employer	15,034
144	Adjustment for Actuarial estimated Employer Contributions	(241)
3,798	Contributions from Employees	3,697
(16,682)	Benefits Paid	(16,694)
446,376	**Closing Fair Value of Scheme Assets**	**451,045**

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

31 March 2017 £000	**Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)**	**31 March 2018 £000**
588,469	Opening Liability at 1 April	718,663
14,755	Current Service Cost	23,163
20,616	Interest Cost	18,713
3,798	Contributions from Scheme Participants	3,697
108,777	Actuarial gains/losses arising from changes in financial assumptions	(14,365)
(5,571)	Actuarial gains/losses arising from changes in demographic assumptions	-
4,388	Other experience	(133)
-	Liabilities Extinguished on Settlements	(4,742)
113	Past Service Costs including curtailments	19
(16,682)	Benefits Paid	(16,694)
718,663	**Closing Liability at 31 March**	**728,321**

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

31 March 2017 £000	Local Government Pension Scheme Assets comprised	31 March 2018 £000
	Equity Securities	
11,980	Consumer	12,314
7,763	Manufacturing	8,319
10,304	Energy and Utilities	9,452
18,090	Financial Institutions	20,573
4,739	Health and Care	4,649
1,971	Information Technology	2,400
54,847	Sub-total equity	57,707
12,029	**Debt Securities – Government Bonds**	11,155
38,831	**Private Equity**	39,703
	Investment Funds and Unit Trusts	
251,164	Equities	255,707
47,088	Bonds	43,993
29,665	Other	30,288
327,917	Sub-total Investment Funds and Unit Trusts	329,988
12,752	**Cash and Cash Equivalents**	12,492
446,376	**Total Assets**	**451,045**

Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund. The assessment was based on the latest full valuation of the scheme as at the 31 March 2016.

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

31 March 2017	Long-term expected rate of return on assets in the scheme	31 March 2018
2.6%	Equity Investments	2.7%
2.6%	Bonds	2.7%
2.6%	Property	2.7%
2.6%	Cash	2.7%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.4	Men (years)	22.4
24.0	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
24.0	Men (years)	24.0
26.3	Women (years)	26.3
	Financial Assumptions	
3.4%	Rate of inflation	3.4%
2.4%	Rate of increase in pensions	2.4%
2.7%	Rate of increase in salaries	2.7%
2.6%	Rate for discounting scheme liabilities	2.7%
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%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 45.

161

Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2016, and their recommendations have been implemented from April 2017. The actuary has recommended a combination of an increase to the employer contribution percentage (from 16.3% in 2014/15 to 17.4%) along with a cash lump sum into the fund of £1.9m for the current and next two years. The Council anticipates to pay £13.4m expected contributions to the scheme in 2018/19 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2019 the results of which will be implemented in 2020/21 financial year.

The weighted average duration of the defined benefit obligation for active members is 24.7 years, deferred members 23.1 years and pensioner members 11.8 years.

8 Officers' Remuneration

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

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

The Council has been acting as employer for eleven staff working for Cambridgeshire and Peterborough Combined Authority (CPCA) under a HR and Payroll Service Level Agreement (see Note 13). As the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note. The cost of these employees are charged to CPCA in full and they will TUPE transfer to CPCA during 2018/19. Additional notes have been added where CPCA staff are disclosed in the following tables.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2017/18 was approved on 8 March 2017.

Restated 2016/17 No. of Employees*				**2017/18 No. of Employees**		
Non Schls	*Schls*	*Total*	**Remuneration Band**	**Non Schls**	**Schls**	**Total**
23	*21*	*44*	£50,000 - £54,999	27	27	**54**
9	*22*	*31*	£55,000 - £59,999	8	17	**25**
10	*18*	*28*	£60,000 - £64,999	13	13	**26**
6	*13*	*19*	£65,000 - £69,999	7	14	**21**
7	*6*	*13*	£70,000 - £74,999	8	6	**14**
3	*9*	*12*	£75,000 - £79,999	4	7	**11**
2	-	*2*	£80,000 - £84,999	3	5	**8**
4	*5*	*9*	£85,000 - £89,999	3	1	**4**
1	*2*	*3*	£90,000 - £94,999	1	4	**5**
5	*2*	*7*	£95,000 - £99,999	1	2	**3**
1	-	*1*	£100,000 - £104,999	-	1	**1**
-	*2*	*2*	£105,000 - £109,999	-	1	**1**
-	-	-	£110,000 - £114,999	2	1	**3**
-	-	-	£115,000 - £119,999	1	-	**1**
-	-	-	£125,000 - £129,999	1	-	**1**
1	-	*1*	£130,000 - £134,999	1	-	**1**
1	-	*1*	£140,000 - £144,999	1	-	**1**
-	-	-	£145,000 - £149,999	1	-	**1**
1	-	*1*	£160,000 - £164,999	-	-	**-**
1	-	*1*	£175,000 - £179,999	1	-	**1**
75	*100*	*175*	**PCC Total**	**83**	**99**	**182**
			CPCA Employees:			
-	-	-	£55,000 - £59,999	1		**1**
-	-	-	£175,000 - £179,999	1		**1**
-	-	-	**Grand Total**	**85**	**99**	**184**

***Remuneration is based on salary before salary sacrifice deductions which has reclassified some employees into different bands.*

Senior Employees Remuneration

The following table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears.

Post Holder	Year	Salary[1]	Expenses Allowances	Compensation for loss of Office	Election duties[2]	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers)[3]	Total Remuneration (inc. Pension contributions)
Chief Executive	2017/18	£171,597	-	-	£4,875	**£176,472**	£28,692	**£205,164**
G Beasley *see Note A*	*2016/17**	*£171,877*	-	-	*£4,574*	*£176,451*	*£27,068*	*£203,519*
Corporate Director: Resources	2017/18	£109,200	-	-	£4,550	**£113,750**	£8,671	**£122,421**
J Harrison to 31 Jul 2017 *see Note B*	*2016/17**	*£154,986*	-	-	*£6,000*	*£160,986*	*£24,655*	*£185,641*
Corporate Director: People & Communities	2017/18	£143,963	-	-	£750	**£144,713**	£24,759	**£169,472**
see Note A	*2016/17**	*£142,538*	-	-	*£900*	*£143,438*	*£23,084*	£166,522
Corporate Director: Growth & Regeneration	2017/18	£127,939	-	-	£250	**£128,189**	£22,143	**£150,332**
see Note C	*2016/17*	*£130,006*	-	-	*£590*	*£130,596*	*£21,191*	£151,787
Director of Governance to 27 November	2017/18	£65,899	-	-	£3,950	£69,849	£11,526	£81,375
2017 *see Note D*	*2016/17**	*£96,742*	-	-	*£4,400*	*£101,142*	*£15,769*	£116,911
Assistant Director of HR and Development	2017/18	£57,861	-	-	£610	**£58,471**	£9,938	**£68,409**
from 1 July 2017 *see Note E*	*2016/17*	-	-	-	-	**-**	-	**-**
Senior Employees employed on behalf of Cambridgeshire & Peterborough Combined Authority (CPCA)								
CPCA Chief Executive – M Whiteley *see*	2017/18	£162,894	£14,917	-	-	**£177,811**	£28,214	**£206,025**
Note F	*2016/17*	-	-	-	-	-	-	-

1. Salary reflects actual amounts paid in the relevant period, and includes fees & allowances plus basic arrears. It is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details.

2. Payment for election duties depend on the elections overseen in the year. During 2016/17 there were local elections, the EU Referendum and a Police and Crime Commissioner election, during 2017/18 there were three local by-elections, a General Election, and a Cambridgeshire & Peterborough Combined Authority Mayoral Election. The General Election and EU Referendum costs are funded by the Electoral Commission. The Police and Crime Commissioner election costs are funded by the Cabinet Office, the Cambridgeshire & Peterborough Combined Authority Mayoral Election is funded by the Cambridgeshire & Peterborough Combined Authority.

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

N.B There were no Bonuses or Benefits in Kind payable during 2017/18 or 2016/17.

*****2016/17 Salary restated to exclude salary sacrifice deductions.*

Notes to the Senior Employees Remuneration table

A – The costs of the Chief Executive and Corporate Director: People & Communities are shared with Cambridgeshire County Council (CCC) under a S113 Agreement. As they are employed by the Council costs are shown in full in the table, and 50% of the cost is recharged to CCC. A similar arrangement is in place for the Director of Public Health, but as this post is employed by CCC it is not shown in the table, the cost to the Council for 2017/18 was £52,932 (2016/17 £52,332).

B – The Corporate: Director Resources resigned with effect from 31 July 2017, and was filled by an Interim from 1 August 2017 to 29 March 2018 at a cost of £147,943. From 30 March 2018 the post is being covered by an internal acting up arrangement. The role was seconded part time to act as S151 Officer for Cambridgeshire & Peterborough Combined Authority until 31 August 2017 for a fixed contribution of £30,000 (2016/17 £30,000), and also at the disposal of East Cambridgeshire District Council to act as S151 Officer until 19 June 2017 who paid £3,410 based on chargeable days (2016/17 – nil).

C – The full cost of the Corporate Director: Growth & Regeneration is included in the table. The post acted as Managing Partner for the Peterborough Investment Partnership until 31 December 2017 which contributes half the costs. The income to the Council for 2017/18 was £63,574 (2016/17 £84,010).

D – The Director of Governance was seconded to act as Monitoring Officer for Cambridgeshire & Peterborough Combined Authority (CPCA) part time until 30 June 2017 then full time until 27 November 2017 at which point they left their substantive post to take up the CPCA role permanently. From 1 July 2017 the Council's Monitoring Officer role was covered by two successive interims at a total cost of £134,672.

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

F – The Cambridgeshire & Peterborough Combined Authority (CPCA) Chief Executive is disclosed in the table as they are employed by the Council on behalf of CPCA and meet the statutory definition of a Senior Employee, but the post is not part of the Corporate Management Team and is seconded full time to CPCA who cover all the costs. This reflects the mechanics of setting up CPCA which did not have registered employer status when the post was appointed to. The post is anticipated to TUPE to CPCA during 2018/19 following the agreement of CPCA Terms and Conditions by CPCA Employment Committee.

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

2016/17 *£000*	**Other Operating Income & Expenditure**	**2017/18** **£000**
576	Parish Council Precepts	600
609	Drainage & Flood Levies	613
3	Payments to the Government Housing Capital Receipts Pool (Note 16)	4
(1,479)	Net (Gains) / Losses on Disposal of Non-Current	1,371
(1,061)	Gains on Right To Buy Receipts	(1,455)
(1,352)	**Total**	**1,133**

165

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

2016/17 *£000*	**Financing & Investment Income & Expenditure**	**2017/18** **£000**
16,634	Interest Payable & Similar Charges (Note 28)	16,585
(874)	Interest Receivable & Similar Income (Note 28)	(1,268)
(1,391)	Other Investment Income	(166)
8,364	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	7,111
(1,120)	(Gains) / Losses on Trading Operations (Note 11)	(2,138)
1,512	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	90
(26)	Impairment of Current Assets and Long Term Debtors	(103)
28,087	De-recognition of Subsidiary Assets	26,075
51,186	**Total**	**46,186**

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

11 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.

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the Council and deliver aspects of the Council's Environment Capital vision. These schemes have been completing during 2017/18 and are not expected to have any significant activity in 2018/19.

Trading Operations 2017/18	**Expenditure** **£000**	**Income** **£000**	**Deficit / (Surplus)** **£000**
Industrial Properties	241	(1,690)	(1,449)
Commercial Properties	672	(1,788)	(1,116)
Market Properties	260	(284)	(24)
Total for Properties	**1,173**	**(3,762)**	**(2,589)**
Westcombe Industries	1,380	(1,260)	120
Environment Capital	8	(26)	(18)
Other Traded Services	**1,388**	**(1,286)**	**102**
Sub Total	**2,561**	**(5,048)**	**(2,487)**
Capital Charges Adjustment	349	-	349
Total for Trading Units	**2,910**	**(5,048)**	**(2,138)**

Trading Operations 2016/17	*Expenditure* *£000*	*Income* *£000*	*Deficit / (Surplus)* *£000*
Industrial Properties	*408*	*(1,614)*	*(1,206)*
Commercial Properties	*593*	*(1,650)*	*(1,057)*
Market Properties	*337*	*(221)*	*116*
Total for Properties	*1,338*	*(3,485)*	*(2,147)*
Westcombe Industries	*1,076*	*(987)*	*89*
Environment Capital	*1,206*	*(1,201)*	*5*
Other Traded Services	*2,282*	*(2,188)*	*94*
Sub Total	*3,620*	*(5,673)*	*(2,053)*
Capital Charges Adjustment	*933*	*-*	*933*
Total for Trading Units	*4,553*	*(5,673)*	*(1,120)*

Westcombe Industries provides employment opportunities for disabled people. The remaining trading operations relate to the Council's property portfolio.

166

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

2016/17	**Taxation & Non-Specific Grant Income**	**2017/18**
£000		**£000**
(64,144)	Council Tax Income	(69,029)
419	NDR Levy Payment	213
6,736	NDR Tariff Payment	2,301
(48,436)	NDR Income	(44,193)
(105,425)	**Total Taxation Income**	**(110,708)**
	Non-Specific Government Grants	
(26,983)	Revenue Support Grant	(19,821)
(7,990)	New Homes Bonus	(6,641)
(1,493)	Section 31 Grant	(2,809)
(36,466)	**Total Non-Specific Grants**	**(29,271)**
(19,447)	Capital Grants & Contributions (Note 25)	(24,553)
(161,338)	**Total Income**	**(164,532)**

13 Related Parties

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

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

Central Government

The UK Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the table of Expenditure and Income Analysed by Nature in Note 15.

Members

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2017/18 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2017/18 is shown in Note 4. Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have material related party transactions with the Council in the last financial year. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts.

- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £82k for services during 2017/18,

167

- Cllr M Nadeem is Director of Nadeem Construction Limited which the Council paid £80k under a contract for Care & Repair services,
- Cllr B Saltmarsh is unpaid board member of Families First Peterborough C.I.C. which the Council paid £97k for services during 2017/18, £2k of which was outstanding at 31 March 2018.

Members and officers are appointed by the council as representatives to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1) and is also available for public inspection at the Town Hall during office hours. The only significant transactions that have taken place with these bodies during 2017/18 which are not disclosed elsewhere are with Vivacity.

Vivacity

Vivacity is an independent, not-for-profit organisation with charitable status which since 1 May 2010 manages many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement. During 2017/18 the Council spent £2,304k on services with Vivacity (2016/17 £2,336k) and received £1,434k from Vivacity for services (2016/17 £1,383k). At 31 March 2018 the Council owed nil to Vivacity (2016/17 £71k) and Vivacity owed £723k to the Council (2016/17 £403k).

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

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

- Legal, Regulatory and Health and Safety services to Rutland County Council,
- legal services to East Cambridgeshire District Council (until 31 July 2017) and Fenland District Council,
- a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council (until 31 December 2017),
- planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council,
- a neighbourhood planning service to North Kesteven District Council and West Lindsey District Council,
- a strategic housing/development service to Huntingdonshire District Council.

The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council which include Regulatory Services, Ecological Services and a continuing joint area based broadband project.

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

168

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017, having operated for several months prior to this as a shadow authority. The Council has been providing a range of services to support the new body. These include Legal, Insurance, Internal Audit, Treasury Management, Finance Systems, Accountancy, Internal Audit and HR & Payroll. As part of the HR & Payroll SLA the Council is acting as employer for eleven CPCA staff until CPCA has completed the necessary arrangements to take on the contracts, see Note 8 for further details. During 2017/18 the Council has recharged CPCA £1,994k for services provided and costs incurred (£178k 2016/17). A debtor balance of £836k was outstanding at 31 March 2018 (£178k 31 March 2017). In addition as part of routine cash flow management, the Council was in receipt of a £2m loan from the CPCA. This loan was for three months from 29 March 2017, the interest rate charged was the standard inter-authority rate at the time it was taken at 0.45% and equated to £2k of interest payable.

Entities Controlled or Significantly Influenced by the Authority

The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, 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.

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2017/18 the amount raised was £29k (restated 2016/17 £47k).

Where the Council has substantial interest in companies and relevant transactions and balances, these are detailed in Note 14.

14 Interest in Companies and Partnerships

Opportunity Peterborough Limited

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

The net assets of the Company at 31 March 2018 are £146,029 (31 March 2017, £183,017), and the Company made a net loss of £36,988 in 2017/18 (2016/17, loss of £38,346). The accounts can be obtained from Opportunity Peterborough, Allia Future Business Centre Peterborough United Football Club, London Road, Peterborough, Cambridgeshire PE2 8AN.

During 2017/18 the Council paid £529k to Opportunity Peterborough Limited (OP), including a funding contribution to the company of £207k (2016/17 £959k and £207k). The Council received £16k for services from OP (2016/17 £29k). At 31 March 2018 the Council owed OP £2k (2016/17 £20k).

Blue Sky Peterborough Limited

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. As at 31 March 2018 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

The registered name of the limited liability partnership is Peterborough Investment Partnership LLP and the members of the limited liability partnership are Peterborough City Council and Lucent Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and Lucent Peterborough Partnership SARL and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors. The net assets of the Partnership at 31 March 2018 are £1,868,289 (restated £2,754,407 in 2016/17) and the Partnership made a net loss in year of £886,188 (restated net profit in 2016/17 of £5,165,615) in accordance with its business plan. The accounts can be obtained from Peterborough Investment Partnership LLP Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES. During 2017/18 the Council made no payments to the Partnership (2016/17 purchased loan notes for £1,083k) and received £1,326k from the Partnership for services (2016/17 £4,650k mostly for redemption of loan notes, related interest payments and a declared distribution). At 31 March 2018 the Partnership owed £104k to the Council (2016/17 £4,644k).

Empower Community Interest Company (CIC)

The registered name of the company is Empower Peterborough Community Interest Company and the members are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. The net assets of the company are £1,901 (restated 2016/17 £1,637) and it made a profit in year of £264 (restated 2016/17 £190). The accounts can be obtained from Empower Peterborough Community Interest Company, c/o BWB Secretarial Services Ltd, 10 Queen Street Place, London, EC4R 1BE.

NPS Peterborough Ltd

The registered name of the company is NPS Peterborough Ltd and the members are NPS Property Consultants Ltd and Peterborough City Council. The company is 50:50 controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company to assist the Council in property and estate management services. The net assets of the company are £123,839 (2016/17 £36,127 and it made a profit in year of £87,712 (2016/17 £36,117) . The accounts can be obtained from NPS Peterborough Ltd, Lancaster House, 16 Central Avenue, St Andrews Business

Park, Norwich, Norfolk, NR7 0HR. During 2017/18 the Council spent £2,533k on services with NPS Peterborough Ltd (2016/17 £1,417k) and received £104k from NPS Peterborough for services (2016/17 £44k). At 31 March 2018 the Council owed £37k to NPS Peterborough Ltd (2016/17 £82k) and NPS Peterborough Ltd owed £55k to the Council (2016/17 nil).

Medesham Homes LLP

The registered name of the limited liability partnership is Medesham Homes LLP and the members are CKH Developments Limited (A member), Medesham Limited (B member) and Peterborough City Council (A member). The partnership is controlled 50:50 by the A members, CKH Developments Limited and Peterborough City Council, and was incorporated on the 25 November 2016. The partnership was incorporated with the objectives to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups. The net assets of the partnership are £172,795 (restated 2016/17 £200,201) and it made a loss of £27,406 (2016/17 nil) During 2017/18 the Council made a capital grant of £2.290m to Medesham Homes LLP for the provision of homes for affordable rent.

Medesham Limited

The registered name of the company is Medesham Limited. CKH Developments Ltd holds one B share of £1 and Peterborough City Council holds one A share of £1 with both shares ranking equally. The Limited company was incorporated with the purpose of holding interests in corporate entities; in relation to or as subsidiaries of Medesham Homes LLP. The net assets of the company are £2 (2016/17 £2) and apart from the issue of share capital there have been no transactions in the year.

15 Expenditure and Funding Analysis and Subjective Analyses

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

	*Restated 2016/17**					**2017/18**	
Expenditure Chargeable to the General Fund	*Adjustments between the Funding and Accounting Basis (Note 15)*	*Net Expenditure in the CIES*	**Expenditure and Funding Analysis (EFA)**	**Notes (From Page 22)**	**Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis (Note 15)**	**Net Expenditure in the CIES**
£000	*£000*	*£000*			**£000**	**£000**	**£000**
1,503	*12*	*1,515*	Chief Executives		1,426	131	1,557
4,268	*124*	*4,392*	Governance	4	4,499	208	4,707
75,139	*19,549*	*94,688*	People & Communities	1,2, 6	71,057	20,338	91,395
38,819	*(16,852)*	*21,967*	Resources	3	36,386	(12,475)	23,911
21,210	*16,861*	*38,071*	Growth & Regeneration		22,196	22,383	44,579
43	*2*	*45*	Public Health	6	1	17	18
140,982	*19,696*	*160,678*	**Cost of Services**	15	**135,565**	**30,602**	**166,167**
(142,973)	*31,469*	*(111,504)*	Other Income & Expenditure	9,10,11,12	(137,642)	20,429	(117,213)
(1,991)	*51,165*	*49,174*	**(Surplus) / Deficit on Provision of Services**	15	**(2,077)**	**51,031**	**48,954**
(42,390)			Opening General Fund Balance	16	(44,381)		
(1,991)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		(2,077)		
(44,381)			**Closing General Fund Balance****	16	**(46,458)**		

** Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.*

*** This balance represents three usable reserves, the General Fund Balance, School's Balances and Specific Earmarked Reserves, see Note 16 for more detailed information.*

Restated 2016/17*					2017/18			
Adjustments for Capital Purposes [1]	*Net change for the Pensions Adjustments [2]*	*Other Differences [3]*	*Total Adjustments*	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts**	**Adjustments for Capital Purposes [1]**	**Net change for the Pensions Adjustments [2]**	**Other Differences [3]**	**Total Adjustments**
£000	*£000*	*£000*	*£000*		**£000**	**£000**	**£000**	**£000**
-	*13*	*(1)*	*12*	Chief Executives	-	130	1	131
107	*21*	*(4)*	*124*	Governance	16	193	(1)	208
18,355	*326*	*868*	*19,549*	People & Communities	14,367	7,004	(1,033)	20,338
26,348	*(679)*	*(42,521)*	*(16,852)*	Resources	33,280	(3,361)	(42,394)	(12,475)
15,245	*47*	*1,569*	*16,861*	Growth & Regeneration	20,158	449	1,776	22,383
-	*3*	*(1)*	*2*	Public Health	-	20	(3)	17
60,055	*(269)*	*(40,090)*	*19,696*	**Cost of Services**	**67,821**	**4,435**	**(41,654)**	**30,602**
(18,993)	*8,364*	*42,098*	*31,469*	Other income and expenditure from the EFA	(25,914)	7,111	39,232	20,429
41,062	*8,095*	*2,008*	*51,165*	**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services**	**41,907**	**11,546**	**(2,422)**	**51,031**

** Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.*

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

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

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

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

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

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

A number of items which are reported against services in the management accounts but are shown as Other Income and Expenditure in the CIES are adjusted for here including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

*Restated 2016/17**				**2017/18**		
Revenues from External Customers	*Interest Revenue*	*Interest Expense*	**Segmental analysis of certain Items of Income and Expenditure shown net in the EFA**	**Revenues from External Customers**	**Interest Revenue**	**Interest Expense**
£000	*£000*	*£000*		**£000**	**£000**	**£000**
(595)	-	-	Chief Executives	(626)	-	-
(1,434)	-	-	Governance	(1,319)	-	-
(55,533)	-	-	People & Communities	(55,874)	(7)	37
(18,792)	*(874)*	*16,615*	Resources	(25,152)	(1,261)	16,158
(15,584)	-	*19*	Growth & Regeneration	(16,590)	-	390
(134)	-	-	Public Health	(157)	-	-
(92,072)	*(874)*	*16,634*	**Total in Cost of Services**	**(99,718)**	**(1,268)**	**16,585**

** Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.*

2016/17	**Expenditure & Income Analysed by Nature**	**2017/18**
£000		**£000**
	Expenditure	
139,645	Employee Expenses	138,177
21,267	Employee Expenses (Voluntary Aided and Foundation Schools) *	22,649
354,141	Other Service Expenses	368,202
30,707	Depreciation, Amortisation & Impairment	33,738
16,634	Interest Payments	16,585
1,185	Precepts & Levies	1,213
3	Payments to Housing Capital Receipts Pool	4
563,582	Total Expenditure	580,568
	Income	
(113,624)	Fees, Charges & Other Service Income	(130,864)
(2,265)	Interest & Investment Income	(1,434)
(64,144)	Income from Council Tax	(69,029)
(48,436)	NDR Income	(44,193)
(285,939)	Government Grants & Contributions	(286,094)
(514,408)	Total Income	(531,614)
49,174	**Deficit / (Surplus) on the Provision of Services**	**48,954**

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

174

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

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

- General Fund Balance - is the statutory fund into which all the receipts of the Council are required to paid in, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.
- Capital Receipts Reserve – holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- Capital Grants Unapplied Account – holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	Usable Reserves General Fund Balance	Usable Reserves Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(31,049)	-	-	31,049
Revaluation losses on Property Plant and Equipment	(545)	-	-	545
Movements in the fair value of Investment Properties	(90)	-	-	90
Amortisation of intangible assets	(2,689)	-	-	2,689
Capital grants and contributions	36,505	-	-	(36,505)
Capital contributions used for the repayment of loans	4,437			(4,437)
Revenue expenditure funded from capital under statute	(23,392)	-	-	23,392
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(39,840)			39,840
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	32	-	(32)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	26	(26)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	4,315	(4,315)	-	-
Redemption of Financial Assets (Loans)	-	-	-	-
Use of the reserve to finance capital expenditure	-	1,083	-	(1,083)
Capital Receipts used for the repayment of loans	-	7,180	-	(7,180)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(4)	4	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(3,952)	-	3,952
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	10,413	-	-	(10,413)
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(47)	-	-	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,580)	-	-	26,580
Employer's pensions contributions & direct payments to pensioners payable in the year	15,034	-	-	(15,034)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	668	-	-	(668)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,674	-	-	(1,674)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	127	-	-	(127)
Total Adjustments	**(51,031)**	**-**	**(6)**	**51,037**

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17	Usable Reserves General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(27,464)	-	-	27,464
Revaluation losses on Property Plant and Equipment	(4,734)	-	-	4,734
Movements in the fair value of Investment Properties	(1,512)	-	-	1,512
Amortisation of intangible assets	(3,243)	-	-	3,243
Capital grants and contributions	35,683	-	-	(35,683)
Revenue expenditure funded from capital under statute	(20,788)	-	-	20,788
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(30,439)	-	-	30,439
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	6,121	-	-	(6,121)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	425	-	(425)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	221	(221)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	3,725	(3,725)	-	-
Redemption of Financial Assets (Loans)		(1,000)		1,000
Use of the reserve to finance capital expenditure	-	1,000	-	(1,000)
Capital Receipts used for the repayment of loans		4,979		(4,979)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(3)	3	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(6)	-	6
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	1,167	-	-	(1,167)
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(59)	-	-	59
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(23,232)	-	-	23,232
Employer's pensions contributions & direct payments to pensioners payable in the year	15,137	-	-	(15,137)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,388)	-	-	1,388
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	306	-	-	(306)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	(867)	-	-	867
Total Adjustments	(51,165)	1,251	(204)	50,118

177

- **Summary of Usable and Unusable Reserves**

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

1 April 2016 £000	*Movement £000*	*31 March 2017 £000*	**Summary of Usable and Unusable Reserves**	**1 April 2017 £000**	**Movement £000**	**31 March 2018 £000**
			Usable Reserves			
(6,000)	*-*	*(6,000)*	General Fund Balance	(6,000)	-	(6,000)
(6,183)	*777*	*(5,406)*	School's Balances	(5,406)	(153)	(5,559)
(30,207)	*(2,768)*	*(32,975)*	Specific Earmarked Reserves (Note 17)	(32,975)	(1,924)	(34,899)
(1,251)	*1,251*	*-*	Capital Receipts Reserve	-	-	-
(1,006)	*(204)*	*(1,210)*	Capital Grants Unapplied Account	(1,210)	(6)	(1,216)
(44,647)	*(944)*	*(45,591)*	**Total Usable Reserves**	**(45,591)**	**(2,083)**	**(47,674)**
			Unusable Reserves			
(112,389)	*(31,817)*	*(144,206)*	Revaluation Reserve	(144,206)	11,205	(133,001)
(41,726)	*28,168*	*(13,558)*	Capital Adjustment Account	(13,558)	32,744	19,186
(1,715)	*(2,244)*	*(3,959)*	Deferred Capital Receipts Reserve	(3,959)	(6,461)	(10,420)
281	*59*	*340*	Financial Instruments Adjustment Account	340	47	387
239,364	*32,923*	*272,287*	Pension Reserve	272,287	4,989	277,276
(223)	*1,082*	*859*	Collection Fund Adjustment Account	859	(2,342)	(1,483)
2,546	*867*	*3,413*	Accumulating Compensated Absences Adjustment Account	3,413	(127)	3,286
86,138	*29,038*	*115,176*	**Total Unusable Reserves**	**115,176**	**40,055**	**155,231**
41,491	*28,094*	*69,585*	**Total Usable and Unusable Reserves**	**69,585**	**37,972**	**107,557**

178

- **Revaluation Reserve**

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

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

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

2016/17 *£000*	**Revaluation Reserve:**	**2017/18 £000**
(112,389)	Balance at start of year	(144,206)
(51,129)	Upward revaluation of assets	(10,245)
5,221	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	5,820
2,927	Difference between fair value depreciation & historical cost depreciation	2,794
11,164	Release of revaluation gains on disposal	12,836
(144,206)	Balance at end of the year	**(133,001)**

- **Capital Adjustment Account**

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

2016/17 £000	**Capital Adjustment Account:**	**2017/18 £000**
(41,726)	Balance at start of year	(13,558)
27,464	Charges for depreciation & Impairment	31,049
4,734	Revaluation (gains) / losses on Property, Plant & Equipment	545
1,512	Movement in fair market value of Investment Properties	90
3,243	Amortisation of Intangible Assets	2,689
(35,683)	Capital Grants & Contributions that have been applied to Capital Financing	(36,505)
(221)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(26)
20,788	Revenue Expenditure Funded from Capital under Statue (REFCUS)	23,392
30,439	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	39,840
(1,000)	Transfer form Useable Capital Receipts	(1,083)
(4,979)	Use of Capital Receipts to Repay Loans	(7,180)
(6,121)	Provision for the Repayment of Loans	-
-	Use of Capital Contributions to Repay Loans	(4,437)
2,083	Redemption of Financial Assets (Loans & Loan Notes)	-
(2,927)	Depreciation & Impairment written down to RR	(2,794)
(11,164)	Transfer of Revaluation Reserve on disposal	(12,836)
(13,558)	Balance at end of the year	**19,186**

- **Deferred Capital Receipts Reserve**

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

2016/17 £000	**Deferred Capital Receipts Reserve:**	**2017/18 £000**
(1,715)	Balance at start of year	(3,959)
(1,083)	Contribution to Deferred Capital Receipts Reserve – Redemption of Fletton Quays Loan Notes not related to Disposals.	-
(1,167)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(10,413)
6	Transfer to the Capital Receipts Reserve upon receipt of cash	3,952
(3,959)	Balance at end of the year	**(10,420)**

- **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.

2016/17 £000	**Financial Instruments Adjustment Account:**	**2017/18 £000**
281	Balance at start of year	340
59	Interest Paid on Short Term Loans	47
340	Balance at end of the year	**387**

- **Pensions Reserve**

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

2016/17 £000	Pensions Reserve:	2017/18 £000
239,364	Balance at start of year	272,287
24,828	Actuarial gains / losses on pension assets & liabilities (Note 7)	(6,557)
23,232	Reversal of items relating to Post Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	26,580
(15,137)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(15,034)
272,287	Balance at end of the Year	**277,276**

- **Collection Fund Adjustment Account**

  The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 75.

2016/17 £000	Collection Fund Adjustment Account:	2017/18 £000
(223)	Balance at start of year	859
1,388	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	(668)
(306)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(1,674)
859	Balance at end of the Year	**(1,483)**

- **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.

2016/17 £000	Accumulating Compensated Absences Adjustment Account:	2017/18 £000
2,546	Balance at start of year	3,413
867	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(127)
3,413	Balance at end of the Year (Note 35)	**3,286**

181

17 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 2017 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2018 £000	Purpose of the Earmarked Reserve
Departmental Reserves	3,855	(429)	3,734	(1,962)	5,198	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,425	-	511	-	4,936	To provide for future claims (self-insurance). A number of risks, contingencies and financial losses are covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £50,000 per loss, are also met by the Reserve.
Schools Capital	1,287	(295)	216	-	1,208	School revenue reserves put aside for funding future school capital schemes.
Future Cities	569	(329)	-	-	240	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Capacity Building	4,994	(2,096)	7,854	1,962	12,714	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	428	-	-	-	428	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
Grant Equalisation Reserve	15,639	(7,194)	-	-	8,445	A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings.
Development Equalisation Reserve	1,233	-	-	-	1,233	This reserve is used to manage the cash flow from strategic development and smooth the impact on the revenue account.
Other	545	(113)	65	-	497	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	**32,975**	**(10,456)**	**12,380**	**-**	**34,899**	

18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2017 Gross Book Value	**450,485**	**42,098**	**261,761**	**901**	**688**	**2,269**	**8,335**	**766,537**
Additions	5,099	2,549	21,552	34	-	-	13,166	**42,400**
Revaluation increase / (decrease) recognised in the Revaluation Reserve	630	-	-	-	-	(1)	-	**629**
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(553)	-	-	-		-	-	**(553)**
Derecognition - Disposals	(29,025)	(6,464)	-	-	-	(1,237)	-	**(36,726)**
Reclassified Assets	-	-	-	-	-	-	(836)	**(836)**
Assets Under Construction Completed In Year	429	2,103	508	30	-	104	(5,800)	**(2,626)**
At 31 March 2018	**427,065**	**40,286**	**283,821**	**965**	**688**	**1,135**	**14,865**	**768,825**
Accumulated Depreciation and Impairment								
At 01 April 2017	**(30,894)**	**(21,141)**	**(106,562)**	**-**	**-**	**-**	**-**	**(158,597)**
Depreciation Charge	(8,977)	(4,226)	(12,804)	-	-	-	-	**(26,007)**
Depreciation written out to the Revaluation Reserve	3,316	-	-	-	-	-	-	**3,316**
Depreciation written out to the (Surplus) / Deficit on Provision of Services	8	-	-	-	-	-	-	**8**
Impairment (losses) /reversals recognised in the Revaluation Reserve	400	-	-	-	-	-	-	**400**
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(2,159)	(49)	-	(64)	-	(104)	-	**(2,376)**
Depreciation Movement on Transfers	-	-	-	-	-	-	-	**-**
Derecognition - Disposals	1,432	4,925	-	-	-	-	-	**6,357**
Assets Reclassified	(235)	-	-	-	-	-	-	**(235)**
At 31 March 2018	**(37,109)**	**(20,491)**	**(119,366)**	**(64)**	**-**	**(104)**	**-**	**(177,134)**
Net Book Value - At 31 March 2018	**389,956**	**19,795**	**164,455**	**901**	**688**	**1,031**	**14,865**	**591,691**
Net Book Value - At 31 March 2017	*419,589*	*20,956*	*155,198*	*901*	*688*	*2,269*	*8,337*	*607,938*

Comparative Movements in 2016/17

Property, Plant & Equipment (PPE) – 2016/17	***Other Land & Buildings***	***Vehicles, Plant & Equipment***	***Infra-structure Assets***	***Community Assets***	***Heritage Assets***	***Surplus Assets***	***Assets under Construction***	***Total PPE***
Cost or Valuation	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
At 1 April 2016 Gross Book Value	***441,283***	***40,915***	***237,434***	***901***	***688***	***2,710***	***8,718***	***732,649***
Additions	*6,869*	*4,607*	*12,242*	*25*	-	-	*18,258*	*42,001*
Revaluation increase / (decrease) recognised in the Revaluation Reserve	*36,368*	*16*	-	-	-	*(1)*	-	*36,383*
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	*(5,018)*	-	-	-	-	*1*	-	*(5,017)*
Derecognition - Disposals	*(32,729)*	*(4,299)*	-	-	-	*(468)*	-	*(37,496)*
Reclassified Assets	*210*	*(16)*	-	-	-	-	*(368)*	*(174)*
Assets Under Construction Completed In Year	*3,501*	*874*	*12,085*	-	-	*29*	*(18,098)*	*(1,609)*
At 31 March 2017	***450,484***	***42,097***	***261,761***	***926***	***688***	***2,271***	***8,510***	***766,737***
Accumulated Depreciation and Impairment								
At 01 April 2016	***(32,793)***	***(20,725)***	***(94,695)***	***-***	***-***	***(8)***	***-***	***(148,221)***
Depreciation Charge	*(9,472)*	*(4,674)*	*(11,868)*	-	-	-	-	*(26,014)*
Depreciation written out to the Revaluation Reserve	*7,351*	-	-	-	-	-	-	*7,351*
Depreciation written out to the (Surplus) / Deficit on Provision of Services	*283*	-	-	-	-	-	-	*283*
Impairment (losses) /reversals recognised in the Revaluation Reserve	*2,167*	-	-	-	-	*7*	-	*2,174*
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	*(1,416)*	*(5)*	-	*(25)*	-	*(1)*	-	*(1,447)*
Depreciation Movement on Transfers	-	*9*	-	-	-	-	*(173)*	*(164)*
Derecognition - Disposals	*2,985*	*4,254*	-	-	-	-	-	*7,239*
At 31 March 2017	***(30,895)***	***(21,141)***	***(106,563)***	***(25)***	***-***	***(2)***	***(173)***	***(158,799)***
Net Book Value - At 31 March 2017	***419,589***	***20,956***	***155,198***	***901***	***688***	***2,269***	***8,337***	***607,938***
Net Book Value - At 31 March 2016	*408,490*	*20,190*	*142,739*	*901*	*688*	*2,702*	*8,718*	*584,428*

184

19 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 11. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

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

2016/17 £000	**Investment Properties**	**2017/18 £000**
31,770	Balance at start of year	30,413
-	Acquisition	159
143	Subsequent Expenditure (Note 25)	283
67	Assets Under Construction Completed in Year	32
-	Disposals	(9,261)
(1,512)	Revaluations (Note 10)	(90)
(55)	To / from Property, Plant and Equipment	261
30,413	Balance at end of the Year	**21,797**

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

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

- Level One – quoted prices in active markets for identical assets
- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

The fair value for investment properties (commercial units) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level Two in the fair value hierarchy.

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

20 Intangible Assets

There are five items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

31 March 2017 £000	**Intangible Assets**	**Remaining Amortisation Period Years**	**31 March 2018 £000**
1,445	Energy Performance Contract	4	1,084
1,122	Customer Experience Programme	2	172
1,943	Lot 3 Waste & Environmental Services Contract	0.6	57
2,054	Lot 1 Viridor Contract	28	1,981
-	Educate Software	3	1,372
6,564	**Total**		**4,666**

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

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

31 March 2017	**Intangible Assets**	**31 March 2018**
£000	Balance at 1 April:	**£000**
20,910	Gross Carrying Amounts	23,142
(9,921)	Accumulated Amortisation	(13,001)
10,989	**Net Carrying Amount at Start of the Year**	10,141
	Additions	
986	Purchases (Note 25)	1,810
1,503	Assets Under Construction Completed in Year	2,593
(3)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	(2,666)
(3,243)	Amortisation for the period	(2,689)
	Disposals	
-	De-recognition - Disposals	(4,560)
-	De-recognition - Disposals (Accumulated Amortisation)	4,349
(254)	Other Changes – Gross Carrying Amount	-
163	Other Changes - Amortisation	-
10,141	**Net Carrying Amount at the End of Year**	*8,978*
23,142	Gross Carrying Amounts	20,319
(13,001)	Accumulated Amortisation	(11,341)
10,141	**Net Carrying Amount at the End of Year**	**8,978**

21 Assets Held for Sale

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

This Asset Held for Sale was previously held on the Asset Register at nil.

2016/17 £000	**Assets Held for Sale - Current Assets**	**2017/18 £000**
298	Balance at 1 April:	-
-	Revaluation Gains	80
(155)	Property, Plant and Equipment Declassified as Held for Sale	-
(182)	Assets Sold	-
	Other movements:	
39	Assets Under Construction Completed In Year	-
-	**Balance Outstanding**	**80**

22 Capital Commitments

As at 31 March 2018 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and Intangible Assets. These contracts, at a budgeted cost of £40.3m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract / Capital Scheme	Value of contract £000	Value outstanding at 31/3/18 £000
Paston Reserve Primary	340	266
Clare Lodge – Phase 6	2,646	719
Nene Park Academy Expansion	5,442	2,811
Ormiston Bushfield Academy	4,607	2,942
Thomas Deacon Academy Expansion	2,322	1,810
Ken Stimpson Expansion	488	208
Woodston Expansion	589	410
Wireless CCTV	337	186
St Georges Refurbishmentone	1,029	1,029
Oakdale Primary Expansion	3,779	3,779
Hampton Lakes Primary	148	148
Jack Hunt Expansion	128	128
Householders Recycling Centre	1,706	1,465
Energy for Waste Plant	926	723
Fletton Quays Fit Out	4,478	4,478
South Town Hall Works	2,433	1,510
North Town Hall Works	130	130
Customs House Roof	114	112
Central Library Roof	284	137
Street Lighting LED Project	3,096	1,002
Nene Bridge Bearings	3,474	3,442
Bourges Boulevard Phase 2	1,629	1,156
Corfe Avenue Walton Deck Refurbishments	200	200
Total	**40,325**	**28,791**

23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at current value and is revalued at least every four years. The valuations in 2017/18 were carried out by NPS Peterborough Ltd and Wilks Head & Eve (WHE). 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 current values are:

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

the least cost of purchasing the remaining service potential of the asset at the date of valuation.

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

Revaluation Reserve see Note 16	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
Valued at current value as at:	**£000**	**£000**	**£000**	**£000**
31 March 2018	(11,279)	(4)	79	(11,204)
31 March 2017	*31,806*	*11*	-	*31,817*
31 March 2016	*8,100*	*(21)*	*(14,566)*	*(6,487)*
31 March 2015	*8,424*	*16*	*(30)*	*8,410*
31 March 2014 & Prior Years	*93,589*	*5*	*16,872*	*110,466*
Total Valuation	130,640	7	2,355	**133,002**

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

24 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Note 18 which reconcile the movement over the year for Property, Plant, and Equipment (PPE).

During 2017/18 £5.1m (*2016/17 £1.4m*) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This capital expenditure has been spent on improving the Council's assets which has not significantly increased the value of each individual building and the following:

- Lot3 Waste and Environmental Contract
- Some Educate Modules supplied by Arcus not progressing.

25 Capital Expenditure and Capital Financing

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

2016/17 £000		**2017/18 £000**
480,939	**Opening Capital Financing Requirement**	**509,771**
23,743	Property, Plant and Equipment (Note 18)	29,234
18,258	Assets Under Construction (AUC) (Note 18)	13,166
143	Investment Properties (Note 19)	442
986	Intangible Assets (Note 20)	1,810
20,788	Revenue Expenditure Funded from Capital under Statute (REFCUS)	23,392
(638)	Correction of REFCUS funded in 2016/17 as AUC	(100)
13,556	Loans to Third Parties (Notes 29, 32)	12,309
-	Abortive costs of Renewable Energy Projects	(711)
	Sources of Finance	
(35,904)	Capital Grants & Contributions	(36,531)
(6,121)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	-
(4,979)	Capital Receipts used to repay MRP	(7,180)
-	POIS Used to Repay MRP	(4,437)
(1,000)	Capital Receipts – repayment of Loan	(1,083)
509,771	**Closing Capital Financing Requirement**	**540,082**
	Explanation of movements in year	
39,626	Increase in underlying need to borrow:	42,639
306	Assets acquired under finance leases	-
-	Abortive costs of Renewable Energy Projects	(711)
	Decrease in underlying need to borrow:	
(6,121)	MRP*	-
(4,979)	Capital Receipts used to repay MRP	(7,180)
-	POIS Used to Repay MRP	(4,437)
28,832	**Increase in Capital Financing Requirement**	**30,311**

188

The repayment of loans for capital expenditure has been funded in line with the Medium Term Financial Strategy, as follows:

2016/17 £000	Repayment of Loans Funded by:	2017/18 £000
6,121	Revenue Provision *	-
4,979	Capital Receipts	7,180
-	Capital Contribution	4,437
-	Previous Years Overprovision	661
11,100	Total Repayment of Loans	12,278

** For 2017/18 the revenue provision was £1.01.*

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

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2017/18 this expenditure is £23.4m compared with £20.8m in 2016/17. £15.0m of this REFCUS expenditure relates to Academies and a Free School. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2016/17 £000	Reconciliation of Grant Funding Applied to Capital Financing	2017/18 £000
19,447	Grants Received in year (Note 12)	24,553
-	POIS used to fund MRP	(4,437)
(425)	Grants Received in year not applied in year	(32)
221	Grants Applied from Capital Grants Unapplied Account	26
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
16,661	In Year	16,421
35,904	**Total Grants & Contributions applied**	**36,531**

2016/17 £000	Body of Grant Funding Applied	2017/18 £000
1,536	Department for Communities & Local Government	1,831
6,037	Department for Transport	7,094
15,330	Department of Education	19,294
206	Department of Health	129
-	Arts Council	378
9,689	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	3,396
32,798	**Total Grants Applied**	**32,122**
1,147	Section 106 Contributions	2,744
1,959	Third Party Contributions	1,665
3,106	**Total Contributions applied**	**4,409**
35,904	**Total Grants & Contributions applied**	**36,531**

26 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a 30 year PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement required

189

the contractor to construct the new Voyager secondary school (now called Queen Katherine Academy), and to extend and refurbish two existing secondary schools (Jack Hunt and Ken Stimpson). The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering. The three schools and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

Queen Katherine Academy has transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £28.2m (2016/17 £28.2m).

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 2018 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	**Finance Lease Liability**	**Interest**	**Service Charges**	**Total**
Payable:	**£000**	**£000**	**£000**	**£000**
In 2018/19	989	2,210	5,096	8,295
Within two to five years	3,728	7,641	22,726	34,095
Within six to ten years	6,631	8,201	30,019	44,851
Within 11 to 15 years	10,106	6,401	31,125	47,632
Within 16 to 20 years	10,321	1,390	32,797	44,508
Total	**31,775**	**25,843**	**121,763**	**179,381**

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 2017		**31 March 2018**
£000		**£000**
(34,122)	Balance brought forward	(32,889)
1,233	Lease liability redemption in the year	1,114
(32,889)	**Value of Total Liability carried forward**	**(31,775)**
(1,114)	Short Term Liability	(989)
(31,775)	Long Term Liability	(30,786)
(32,889)	**Value of Total Liability carried forward**	**(31,775)**

27 Council Leasing Arrangements

Council as Lessee - Finance Leases

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

31 March 2017		**31 March 2018**
£000	**Council as Lessee - Finance Leases**	**£000**
2,303	Other Land & Buildings	2,303
1,571	Vehicles, Plant Furniture & Equipment	971
3,874	**Total**	**3,274**

Land and Building include two land leases held on 999 year leases, four school leases for 125 years, a retail property held on a 99 year lease, a pavilion and a bus shelter that 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 table above.

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

31 March 2017		**31 March 2018**
£000	**Finance Lease Liabilities (net present value of minimum lease payments)**	**£000**
526	Current	417
3,341	Non-current	2,924
19,530	Finance costs payable in future years*	19,176
23,397	**Minimum lease payments**	**22,517**

** Non-Peppercorn leases range from one to 104 years*

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

31 March 2017			**31 March 2018**	
Min. Lease Payment	*Finance Lease Liabilities*	**Minimum lease payments**	**Min. Lease Payment**	**Finance Lease Liabilities**
£000	*£000*		**£000**	**£000**
880	*526*	Not later than one year	737	417
2,017	*821*	Later than one year & not later than five years	1,566	404
20,500	*2,520*	Later than five years *	20,214	2,520
23,397	*3,867*	**Total**	**22,517**	**3,341**

** Non-Peppercorn leases range from one to 104 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.

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2018 the minimum payments expected to be received under these sub-leases was £318k (£146k in 2016/17).

Council as Lessee - Operating Leases

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

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

31 March 2017		**31 March 2018**
£000	**Council as Lessee - Operating Leases**	**£000**
633	Not later than one year	998
2,495	Later than one year & not later than five years	3,721
7,840	Later than five years	6,812
10,968	**Total**	**11,531**

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

31 March 2017		**31 March 2018**
£000	**Council as Lessee - Operating Leases**	**£000**
827	Minimum lease payments	1,046
-	Contingent rents	-
(234)	Sublease payment receivable	(189)
593	**Total**	**857**

191

Council as Lessor - Finance Leases

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

Council as Lessor – Operating Leases

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

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

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

31 March 2017		**31 March 2018**
£000	**Council as Lessor - Operating Leases**	**£000**
3,776	Not later than one year	3,505
13,004	Later than one year & not later than five years	9,617
49,901	Later than five years*	50,902
66,681	**Total**	**64,024**

** Above operating leases range from five to 112 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.

28 Financial Instruments

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

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

2016/17		**2017/18**
£000	**Financial Assets**	**£000**
(874)	Interest income	(1,268)
(874)	**Total for Financial Assets (Note 10)**	**(1,268)**
	Financial Liabilities	
2,899	Interest payable relating to PFI	2,380
13,735	Interest payable on borrowings	14,205
16,634	**Total for Financial Liabilities (Note 10)**	**16,585**
15,760	**Net expenditure for the year**	**15,317**

The borrowings and investments disclosed in the Balance Sheet include the following categories in the table below.

2017 Long Term £000	*2017 Current £000*	**Financial Instruments Balances**	**2018 Long Term £000**	**2018 Current £000**
-	*30*	Investments - Loans and receivables	-	25
-	*-*	Investments - Available for Sale Assets	-	-
1,000	*-*	Debtors – Local Authority Mortgage Scheme	-	1,000
-	*10,842*	Debtors – ECS Peterborough 1 LLP	-	23,150
7,200	*-*	Debtors - Axiom	7,200	-
727	*30,707*	Debtors - Loans and receivables	587	17,451
(358,976)	*(39,629)*	Borrowings - Financial liabilities at amortised cost	(380,087)	(43,074)
(35,559)	*-*	Other Long Term liabilities - PFI and finance lease liabilities	(33,847)	-
-	*(3,543)*	Creditor - Financial liabilities at amortised cost	-	(3,881)

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

The Loan to ECS Peterborough 1 LLP is shown in the Debtors section of the table above, see Note 14.

29 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2018 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The financial liabilities are held with PWLB and market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used Level 2 valuations calculated using a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses the effective rate of interest for the relevant instrument. The Council uses the new borrowing rates to discount the future cash flows.

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

*2016/17 Restated** Carrying Amount £000	Fair Value £000	**Financial Liabilities**	**2017/18** Carrying Amount £000	**2017/18** Fair Value £000
(329,591)	*(418,396)*	PWLB debt	(329,587)	(416,961)
(29,385)	*(30,212)*	Non-PWLB debt	(50,500)	(50,496)
(36,285)	*(43,616)*	Short term borrowing	(39,442)	(46,800)
(5,248)	*(5,248)*	Short term creditors	(6,187)	(6,187)
(1,640)	*(1,640)*	Short term finance lease liability	(1,406)	(1,406)
(442)	*(442)*	Long term creditors	(136)	(136)
(35,116)	*(50,710)*	Long term PFI lease liability*	(33,711)	(48,369)
(437,707)	*(550,264)*	**Total**	**(460,969)**	**(570,355)**

** PFI lease is subject to Fair Value assessment, all other leases are included in Long term creditors and assumed at carrying value. 2016/17 values have been realigned accordingly.*

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

The fair value of Public Works Loan Board (PWLB) loans of £417.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

*2016/17 Restated** Carrying Amount £000	Fair Value £000	**Financial Assets**	**2017/18** Carrying Amount £000	**2017/18** Fair Value £000
30	30	Short Term Investments	25	25
-	-	Local Authority Mortgage Scheme - Short Term	1,000	1,000
10,842	*10,842*	ECS Peterborough 1 LLP Loan	23,150	23,150
7,200	7,200	AXIOM Loan*	7,200	7,200
16,427	16,427	Total Cash and Cash Equivalent	8,756	8,756
14,280	14,280	Trade Debtors	8,695	8,695
1,000	*1,038*	Local Authority Mortgage Scheme - Long Term	-	-
727	727	Other Long Term Loans & Receivables*	587	587
50,506	*50,544*	**Total**	**49,413**	**49,413**

** 2016/17 figures have been restated to split out Axiom Loan from Other Long Term Loans & Receivables*

In December 2011 the Council advanced £1.0m with a further £1.0m in July 2013 to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS was aimed at supporting first time buyers and the advance reflected the Council's share of financial assistance provided through the provision of an indemnity. Total mortgages approved against the £2.0m advance was £1.7m.

As at 31 March 2018 the first £1m advance has been returned to the Council but an indemnity of £0.1m remains until February 2019. The second advance of £1m is due to be returned in July 2018 but the indemnity of £0.8m remains in place for a fixed five year period or until the individual mortgage advances have been repaid. Interest is payable and received annually on the advance.

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

30 Nature and Extent of Risks Arising from Financial Instruments

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

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

194

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

Credit risk

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

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

The 2017/18 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and the CCLA money market fund.

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

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

- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.

Customers for 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 had a total of £8.0m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2018. The full amount is potentially exposed to credit risk, although as the DMO is within the scope of HM Treasury it is less of a risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2018. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment is 86p to 86.5p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2018 are £1.7m for KSF and £1.0m for HB (2016/17 £1.7m, £1.0m). Further dividends are expected in 2018/19.

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

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

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

2016/17 £000	**Age of Trade Debt**	**2017/18 £000**
4,760	Less than three months	4,444
1,135	Three to six months	552
3,035	Six months to one year	692
5,350	More than one year	3,007
14,280	**Total**	**8,695**

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

2016/17 £000	**Maturity analysis of financial liabilities**	**2017/18 £000**
(25,672)	Less than one year	(38,034)
(10,679)	Between one and two years	(26,327)
(29,044)	Between two and five years	(32,515)
(372,312)	Between five and fifty years	(364,093)
(437,707)	**Total**	**(460,969)**

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

Market risk

Interest rate risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2018, 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 £79.2m, see Note 28, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

The Council 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 £1 shares in its subsidiary company and Joint Ventures, see Note 14. The Council is not exposed to price risk through these holdings.

Foreign Exchange Risk

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

31 Inventories

31 March 2017 £000	**Inventories**	**31 March 2018 £000**
274	Westcombe Industries Stock	330
82	Other Stock Balances	106
356	**Total**	**436**

32 Debtors

Restated 31 March 2017 £000	**Debtors** (Each item is net of impairment)	**31 March 2018 £000**
5,067	Central Government Departments	3,145
1,620	Cross Keys Homes	2,186
5,851	Cambridgeshire & Peterborough CCG	9,586
7,878	Council Tax Arrears	7,834
1,044	NNDR Arrears	1,943
4,720	Payments in Advance	6,896
607	Section 106 Debtors	626
23,893	General Debtors	27,169
50,680		59,385
	Outstanding Balances on Loans Granted	
10,842	ECS Peterborough 1 LLP (Notes 14, 25)	23,150
-	Local Authority Mortgage Scheme Loan	1,000
61,522	**Total Debtors**	**83,535**

33 Current Intangible Assets

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK energy-saving and carbon emissions reduction scheme which commenced in April 2010. The Council is holding CRC allowances with a value of £285k as at 31 March 2018 (31 March 2017 £244k).

It is expected that £166k of the balance will be surrendered by 31 October 2018 to meet the Council's reported CO_2 emissions for 2017/18 in accordance with the requirements of the CRC Scheme. The Council has estimated its liability under the scheme to be £166k (2016/17 estimated at 31 March 2017 £205k, actual £176k) and has included a provision in the accounts for this, see Note 34.

34 Provisions

Provision Description	31 March 2017	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2018
	£000	£000	£000	£000	£000	£000
Short Term Provisions						
Insurance Claims – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain.	(751)	-	32	423	(444)	(740)
Charges from suppliers which are uncertain or in dispute - these represent charges from suppliers that are of an uncertain amount and timing	(78)	(267)	78	-	-	(267)
Carbon Reduction Commitment Scheme (CRC) - the obligation of the Council for the purchase of CRC allowances for 2017/18	(205)	(166)	176	29	-	(166)
Non Domestic Rate Appeals Provision – see Collection Fund for further details	(4,587)	(2,118)	1,180	-	-	(5,525)
Total Short Term Provisions	**(5,621)**	**(2,551)**	**1,466**	**452**	**(444)**	**(6,698)**
Long Term Provisions						
Insurance Claims – see above comments	(203)	(383)	-	-	444	(142)
Total Short and Long Term Provisions	**(5,824)**	**(2,934)**	**1,466**	**452**	**-**	**(6,840)**

35 Creditors

31 March 2017 £000	Creditors	31 March 2018 £000
(901)	Council Tax Overpaid	(961)
(1,094)	Council Tax Prepaid	(1,037)
(2,398)	NDR Overpaid	(3,234)
(1,284)	NDR Prepaid	(949)
(5,363)	NDR Preceptors	(5,701)
(10,847)	Deposits / Receipts in Advance	(13,132)
(3,413)	Accrual Accumulated Absences (Note 16)	(3,286)
(1,640)	Short Term Finance Lease Liabilities (Notes 26,27)	(1,406)
(38,580)	General Creditors	(39,291)
(65,520)	**Total Creditors**	**(68,997)**

36 Capital Grants Receipts in Advance

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

31 March 2017 £000	Capital Grants Receipts in Advance	31 March 2018 £000
(2,768)	Department of Education	(1,653)
(1,384)	Department for Transport	(763)
(625)	Homes and Communities Agency (HCA)	(625)
(413)	Other Third Party Contributions	(819)
(149)	Department of Health	(34)
(22,449)	Section 106 Contributions	(16,910)
(83,364)	**Total Capital Grants Receipts in Advance**	**(20,806)**

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000	Cash Flow Statement – Operating Activities	2017/18 £000
(505)	Interest Received	(727)
16,114	Interest Paid	19,628

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2016/17 £000	Cash Flow Statement – Investing Activities	2017/18 £000
55,571	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	58,853
20,494	Other Payments for Investing Activities	24,248
(3,669)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(4,422)
(19)	Proceeds from Short-Term Investments	(5)
72,377	**Net cash flows from investing activities**	**78,674**

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2016/17 £000	Cash Flow Statement – Financing Activities	2017/18 £000
(30,204)	Cash Receipts of Short & Long Term Borrowing	(24,215)
1,826	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,639
(3,272)	Other Payments for Financing Activities	(7,614)
(31,650)	**Net cash flows from financing activities**	**(30,190)**

40 Cash Flow Statement – Cash and Cash Equivalents

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

2016/17	**Cash Flow Statement – Cash and Cash Equivalents**	**2017/18**
£000		**£000**
13,600	Short Term Cash Investments	8,000
43	Petty Cash & Imprest	48
2,784	Bank Current Accounts	708
16,427	**Total Cash & Cash Equivalents**	**8,756**

41 Trust Funds

The Council administers five trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2018 was £16,940 (£16,898 at 31 March 2017). 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 £19,256 at 31 March 2018 (£17,412 at 31 March 2017) all invested internally.

The Council also has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 204 adults and older people (196 at 31 March 2017). The total Client funds at 31 March 2018 was £2.0m (£1.5m at 31 March 2017).

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and art Gallery were transferred to Vivacity. However the Council remains sole Trustee.

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

42 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. These are identified as follows:

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

201

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

The standards which have been introduced by the 2018/19 Code and will be effective from 1 April 2018 are as follows:

- IFSR 9 Financial Instruments introduces a new model for financial assets including new classifications and a new expected credit loss impairment model. It will impact on the classifications used in the Financial Assets disclosure, but due to the high credit quality adopted by the Council for its investment counterparties is not expected to result in any material impairment charges.
- IFRS 15 Revenue from Contracts with Customers brings in new rules for the timing of the recognition of income from contracts with service recipients. This is not expected to have a material impact on the Council's financial statements
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This will not have a material impact on the Council's financial statements.
- The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value. This will have not have an impact on the Council's financial statements as the Council does not produce group accounts which incorporate companies with relevant debt instruments.

44 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 77, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status. A further seven school transferred during 2017/18 and five more transferred on 1 April 2018. Current government aspirations are to encourage all remaining maintained schools to convert to Academy status in future years, although this will not be mandated. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See following table for analysis of the type of schools in Peterborough and its surrounding area.

Type and number of Schools	Community	Controlled	Aided	Foundation Trust	Academies	Total
Nursery	1	-	-	-	-	**1**
Primary Schools	25	5	7	1	19	**57**
Secondary Schools	1	-	1	1	9	**12**
All through Schools	-	-	-	-	2	**2**
Special Schools	4	-	-	-	1	**5**
Total	**31**	**5**	**8**	**2**	**31**	**77**

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

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2015 of £9.5m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2018. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to the governing bodies, the Council has determined that in this case substance should take precedence over form. Therefore the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet.
- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Councils external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 54.
- 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 19, page 52.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Further information on lease arrangements in place can be found in Notes 26 and 27, pages 56 and 57.

- The Council has eight 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 and when consolidated in total, the eight entities are not material.
  - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to 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 13.
  - 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 14.
  - Blue Sky Peterborough (BSP) – in 2011/12 the Council 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 the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.
  - Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. 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.
  - Empower Peterborough Community Interest Company – was incorporated during 2015/16 to install solar panels on homes in Peterborough free of charge with occupants benefitting from energy savings. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council. 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.
  - The Mayor of Peterborough's Charity Fund – the Mayor of the Council is the chair of the charity set up to raise funds for organisations based within the City. 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 13.
  - Medesham Homes LLP – was incorporated during 2016/17 to facilitate the delivery of new housing, initially in Peterborough. It will seek to deliver affordable rented housing at first, but could deliver housing of other types and tenures in future. The LLP is a Joint venture between the Council and Cross Keys Homes and has recently funded construction on its first project. Due to the nature

203

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.

  - NPS Peterborough 1 Ltd – was incorporated in 2015/16 as a joint venture with NPS Property Consultants Ltd into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council. 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.
- In common with many local authorities the Council has received an application for mandatory business rate relief from a NHS trust. The Council has considered this against its accounting policies and the reporting requirements of the Code. Initial advice from the Local Government Association and subsequent opinion from leading counsel has determined that the claim has no basis and therefore no disclosure is required elsewhere in the Statement of Accounts.

45 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 2018 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £343k for every year that useful life is reduced, which equates to a 4.1% increase in this year's depreciation charge.
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	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £445k, which is 0.07% of the Council's total asset base.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	amount is then estimated having regard to the application of the concept of materiality.	7% of the Councils asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.	The effects on net pensions liability of changes in individual assumptions can be measured. For instance, • a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £75m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £9m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £66m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2018 the Council had a balance of £17.8m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 15% or £2.7m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £262k would be required. If 10% of the debt portfolio was one year older, additional impairment of £149k would be required.
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rates valuations from the 2010 List which applies to bills up to 2016/17 has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date. A change in the Valuation Office process for appealing against rates bills means similar data is not available for appeals against rates valuations from the 2017 list which applies to rates bills for 2017/18. An estimate has been calculated using the MHCLG methodology applied in setting NDR budgets, which has been amended to be more applicable to the Council.	There are different classes of business, each of which have had historically different success rates of appeal. If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount then the provision would need to be increased by £432k. This equates to a 13% increase in the estimated provision held in the Council's Balance Sheet. If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £529k. This equates to a 25% increase in the estimated provision held in the Council's Balance Sheet.

46 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued by 31 July 2018.

The Collection Fund and Notes

31 March 2017 £000	Collection Fund Statement	Notes	31 March 2018 Business Rates £000	Council Tax £000	Total £000
	Income				
(79,093)	Council Tax Receivable		-	(84,430)	(84,430)
(99,085)	Business Rates Receivable	3	(97,877)	-	(97,877)
	Contribution to Previous Year's Deficit:				
(841)	Peterborough City Council	4	(1,158)	-	(1,158)
(17)	Cambridgeshire & Peterborough Fire Authority		(24)	-	(24)
(859)	Central Government		(1,182)	-	(1,182)
(179,895)	Total Income		(100,241)	(84,430)	(184,671)
	Expenditure				
	Precepts:				
64,038	Peterborough City Council	4	-	68,188	68,188
3,545	Cambridgeshire & Peterborough Fire Authority		-	3,665	3,665
9,908	Cambridgeshire Police Authority		-	10,249	10,249
77,491	Total Precepts		-	82,102	82,102
	Business Rates Share:				
48,649	Peterborough City Council	4	43,454	-	43,454
985	Cambridgeshire & Peterborough Fire Authority		887	-	887
48,849	Central Government		44,341	-	44,341
98,483	Total Business Rates Shares		88,682	-	88,682
	Charges to Collection Fund:				
3,831	Increase / (Decrease) in Bad Debt Provision		379	1,316	1,695
(3,166)	Increase / (Decrease) in Provision for Appeals		1,914	-	1,914
275	Cost of Collection		268	-	268
1,910	Transitional Payment Protection		5,388	-	5,388
323	Renewable Energy Disregard	4	326	-	326
3,173	Total Charges to Collection Fund		8,275	1,316	9,591
	Contribution to Previous Year's Estimated Surplus:				
1,494	Peterborough City Council	4	-	173	173
84	Cambridgeshire & Peterborough Fire Authority		-	10	10
238	Cambridgeshire Police Authority		-	27	27
1,816	Total Contribution to Previous Year's Estimated Surplus		-	210	210
1,068	**(Surplus) / Deficit Arising During the Year**		**(3,284)**	**(802)**	**(4,086)**
	Collection Fund Balance				
892	(Surplus) / Deficit Brought Forward 1 April		2,311	(351)	1,960
1068	(Surplus) / Deficit Arising During the Year		(3,284)	(802)	(4,086)
1,960	**(Surplus) / Deficit Carried Forward 31 March**		**(973)**	**(1,153)**	**(2,126)**
	Allocated to:				
841	Peterborough City Council		(477)	(959)	(1,436)
7	Cambridgeshire & Peterborough Fire Authority		(10)	(51)	(61)
(44)	Cambridgeshire Police Authority		-	(143)	(143)
1,156	Central Government		(486)	-	(486)
2,312	**Total**		**(973)**	**(1,153)**	**(2,126)**

.

1 Collection Fund Overview

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

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

2 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	34,568	23,045
B	7/9	20,559	15,990
C	8/9	13,706	12,183
D	9/9	7,710	7,710
E	11/9	4,369	5,340
F	13/9	1,873	2,705
G	15/9	934	1,557
H	18/9	70	140
Total		83,789	68,670

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc.; and the Council Tax Support Scheme and non-payment which are at the discretion of each council. The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 54,879 (54,100 for 2016/17).

3 Non-Domestic Rates

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

For 2017/18 the total non-domestic rateable value at the year-end is £234.8m (£231.2m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, with the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

4 Council Precept

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

2016/17	**Council Precept**	**NDR**	**Council Tax**	**2017/18 Total**
£000		**£000**	**£000**	**£000**
(112,687)	Precept / Share	(43,454)	(68,188)	(111,642)
(340)	Estimated Renewable Energy Disregard (RED)	(279)	-	(279)
17	Difference between actual & estimated RED	(47)	-	(47)
-	Adjustment to prior year additional growth pilot income.	38		38
(653)	Share of Prior Year Estimated Deficit / (Surplus)	1,158	(173)	985
242	Reverse actual share prior year Deficit / (Surplus)	(1,132)	291	(841)
841	Share of Deficit / (Surplus)	(477)	(959)	(1,436)
(112,580)	**Total (Note 12)**	(44,193)	(69,029)	**(113,222)**

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices are mainly the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

Revenue from selling goods is recognised when the significant risks and rewards of ownership pass to the purchaser and economic benefits or service potential flow to the Council.

Service revenue is recognised when the percentage completion of the transaction can be measured and it is probable that the Council will receive economic benefits or service potential.

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

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

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

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

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

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

Cash

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

Cash Equivalents

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made:

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

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

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

Council Tax and Business Rates

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

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

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

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

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

Accounting for Council Tax and Business Rates

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

Account. The difference is also included as a reconciling item in the MIRS.

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

Termination Benefits

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

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

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

Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

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

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

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

The fund assets attributable to the Council are included in the Balance Sheet at their fair value:

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

The net pensions liability is the difference between fund liabilities and assets. The change in the net pensions liability is analysed between service cost and remeasurements.

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

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

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

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

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

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

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

Employers' contributions to the pension fund are not accounted for as an expense. However 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. The MIRS therefore includes a transfer from the Pension Reserve. The transfer makes the adjustment from the accounting basis outlined above to the statutory requirement.

The negative balance of the Pensions Reserve is the benefit to the Council of accounting for pensions on a cash basis.

Events after the Balance Sheet Date

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

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

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

Financial Liabilities

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

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

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

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

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

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

Gains and losses on the repurchase or early settlement of borrowing are charged to the Financing and Investment Income and Expenditure line in the CIES.

Repurchase may be part of restructuring the Council's loans portfolio. Restructuring involves the modification or exchange of existing instruments.

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

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

Financial Assets

Financial assets are classified 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 do not have fixed or determinable payments.

Loans and Receivables

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

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

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

When soft loans are made, a loss is recorded in the CIES. The loss is charged to the appropriate service line. The loss is the present value of the interest that will be foregone over the life of the instrument. The amortised value is therefore lower than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES. The effective rate of interest is higher than the actual rate, increasing 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 accounting period. The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Assets are identified as impaired if there is 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 or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows. The calculation is made by discounting at the asset's original effective interest rate.

Any losses that arise on the derecognition of an asset are charged to the Financing and Investment Income and Expenditure line in the CIES.

Government Grants and Contributions

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

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

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

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

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Intangible Assets

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

Internally generated assets are capitalised where:

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

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

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

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

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

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

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

Interests in Companies and Other Entities

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

Investment Properties

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

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

Investment properties are measured initially at cost. They are subsequently carried at fair value. Fair value is the price that would be received selling the asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

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

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

Leases

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

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

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

<u>The Council as Lessee</u>

Finance Leases

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Operating Leases

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

<u>Council as Lessor</u>

Finance Leases

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

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

Lease rentals are apportioned between:

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

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

217

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

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

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

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

Operating Leases

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

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example if there is a premium paid at the commencement of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset. The costs are charged over the lease term in the same way as rental income.

Overheads and Support Services

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

Property, Plant and Equipment (PPE)

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

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

<u>Recognition</u>

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

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

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial

218

substance and will not lead to a variation in the cash flows of the Council.)

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

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

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

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

Infrastructure is carried at depreciated historical cost. Infrastructure assets include roads, bridges and streetlights. Infrastructure is classed as inalienable assets. Expenditure on infrastructure is only recoverable by continued use of the asset. There is no prospect of sale or alternative use.

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

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

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

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

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

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

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

<u>Revaluation</u>

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

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

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

<u>Decreases in value</u>

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

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

Impairment

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

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

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

219

Disposal and Decommissioning

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

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

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

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

- used for new capital investment
- set aside to reduce the Council's underlying need to borrow (the capital financing requirement)

Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

Depreciation

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

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

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

Basis of depreciation

Depreciation is calculated on the following bases:

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

Provisions

Provisions are made:

- where an event has taken place that gives the Council a legal or constructive obligation
- that the obligation probably requires settlement by a transfer of economic benefits or service potential
- a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of resources will be required or
- the amount of the obligation cannot be measured reliably.

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

Reserves

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

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

The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

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

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

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

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

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

Value Added Tax (VAT)

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historical Cost – The nominal or original cost.

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

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

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

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

Lessee – The holder or tenant of a lease.

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

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

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

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

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

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

Non-current asset - An asset which has value beyond one financial year.

Non-distributed costs – Discretionary retirement benefits and impairment losses on assets held for sale.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

NDR Levy Payment – The Council pays a 6% levy to the government of its share of business rates income that exceeds settlement assumptions.

NDR Tariff Payment – at the outset of the business rates retention scheme the Council was calculated as having a higher business rate baseline compared to its baseline funding level, leading to a tariff payment.

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

Precept - The amount a local authority that cannot levy a council tax directly on the public requires it to be collected on its behalf. The Council collects precepts on behalf of Cambridgeshire Police and Crime Commissioner, Cambridgeshire and Peterborough Fire and Authority and 25 Parish Councils.

Projected Unit Method - A method for calculating pension costs which takes full account of future salary increases. It is the method prescribed in relevant Accounting Standards.

Provisions - Required for any liabilities of uncertain timing or amount that have been incurred. Provisions are set aside in the accounts and charged to individual services. When the relevant expenditure occurs, it is charged direct to the Provision.

Prudential borrowing – Borrowing for capital purposes in accordance with the Prudential Code on affordability.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

Revaluation Reserve – This account was created on 1 April 2007 and its balance represents the revaluation gains accumulated since 1 April 2007.

Revenue Expenditure - The day-to-day running costs the Council incurs in providing services (as opposed to capital expenditure).

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

Service cost (for pension liabilities) – part of the change in pension liabilities over the year.

Short term employment benefits – A benefit that will be settled within 12 months of the year-end. The benefits include salaries, sick leave and annual holiday entitlement.

Usable Reserves – Those reserves that can be applied by the Council to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Table of Acronyms

BCF	Better Care Fund
BSP	Blue Sky Peterborough
CAA	Capital Adjustment Account
CCC	Cambridgeshire County Council
CIES	Comprehensive Income and Expenditure Statement
CIC	Community Interest Company
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPCA	Cambridgeshire and Peterborough Combined Authority
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust
CRC	Carbon Reduction Commitment Energy Efficiency Scheme
DfE	Department for Education
DSG	Dedicated Schools Grant
DMO	Debt Management Office
EFA	Expenditure and Funding Analysis
EIR	Effective Interest Rate
IAS	International Accounting Standard
LEP	Local Enterprise Partnership
LGA	Local Government Association
LGPS	Local Government Pension Scheme
LLP	Limited Liability Partnership
MHCLG	Ministry of Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MTFS	Medium Term Financial Strategy
NDR	Non-domestic Rate
PFI	Private Finance Initiative
PIP	Peterborough Investment Partnership
PPE	Plant Property and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statue
RR	Revaluation Reserve

Index of Notes to the Core Financial Statements

(Draft) Annual Governance Statement – 2017/18

(Draft) Annual Governance Statement

The Annual Governance Statement will be discussed and approved by Audit Committee on 16 July 2018. The draft version is included here.

Scope of Responsibility

Peterborough City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

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

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Acting Director of Corporate Resources):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Management Team.

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2018 / 2019 to address these issues will be reported regularly to Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

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

The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

The key elements of the Councils governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is covered by the Code of Conduct.
- Third party challenge to the Councils operations is through a publicised complaints procedure.
- Confidential concerns can be raised through a Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raise awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which sets out the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.
- The Acting Director of Corporate Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work towards Public Sector Internal Audit Standards.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Interim Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives.
- Council meetings are open to every citizen.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, Fletton Quays residential proposals.
- The Council is now a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Consideration of the budget took place at Full Council on 7 March 2018. Due to increasing cost pressures on Adult Social Care the Council Tax recommendation again resulted in a specific 3% increase to be implemented to finance expenditure in this area.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management needs to be embedded and this has been enhanced by the creation of a Risk Management Board to ensure consistent treatment and action.
- Our Efficiency Strategy 2016/17 – 2019/20 sets out how we are delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- Significant changes to services are supported by an Equality Impact Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2018 / 2019 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council in order to discharge its functions on Health operates a dedicated Health Scrutiny Committee.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.

- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and is seeking to also achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service, complying with best practice. Findings are reported to Audit Committee.
- Certain key partners who provide essential council services are subject to independent oversight by Committees.
- The Constitution is reviewed on an annual basis.

Principle F: Managing risks and performance through robust internal control and strong public management

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members are inducted prior to the Annual Meeting.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to external audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.

- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities interests.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2017 / 2018, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed, by Audit Committee.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

An External Audit of the accounts year ended 31 March 2017 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers were of high quality.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address.

Table 1 below sets out the governance issues which were reported on in 2016 / 2017 and the progress in addressing them.

Table 1: 2016 / 2017 Progress on Previous Actions			
	Area of Assurance	**Assurance Gap / Proposal to Mitigate**	**Progress / Residual Status**
17.1	**INNOVATION AND GOVERNANCE** Lead: Director of Governance	**Gap:** Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements. **Proposal:** An Organisation Change Board has been created to drive forward the transformation programme with representatives from all departments	Arrangements have been redefined to encompass workstream leads from key areas of the business to drive forward new ways of working. The agile working group sits under the Programme Manager with accountable leads responsible for the move to Sand Martin House. Arrangements have been put in place to strengthen the Programme Management Office to oversee corporate change. Building blocks have been put in place but outcomes cannot be fully quantified at present. Work will continue throughout 2018.
17.2	**OPERATING POWERS** Lead: Director of Governance	**Gap**: Changes in statutory duties; ongoing changes in the work of local government and the role in relation to other agencies means that the Council needs to monitor the scope of duties, powers and expectations. **Proposa**l: Regular reviews will continue of the business of the Council; and the Constitution which drives it. Reports through Corporate Management Team to Cabinet and various Committee will ensure that legal implications are fully appraised.	The Council's Constitution is kept under close review and amended where required, with reports on significant changes being made are reported through to the Governance Board, Audit Committee and Full Council and then implemented. (**ACTION COMPLETE**)

17.3	**NEW ARRANGEMENTS** Lead: Director of Governance	**Gap**: Establishing and maintaining the Combined Authority (CPCA). **Proposal**: Separate arrangements have been set up for the governance and constitutional arrangements. The Council will look to develop effective partnership relationships with the new authority. The Leader of the Council is a member of the Combined Authority. Council officers will contribute to appropriate projects and working groups.	CPCA has been operational since March 2017. Regular feedback / briefings are provided to the Council on its work / deliverables etc. (**ACTION COMPLETE**)
17.4	**SCHOOL ATTAINMENT** Lead: Corporate Director: People and Communities	**Gap**: Damage to reputation through poor performance in published league tables compared to the national average. **Proposal**: Improvement plans and a programme of training has been developed and there is ongoing monitoring to look at the effectiveness of this in raising attainment in Peterborough schools.	The improvement programme is now in delivery phase. A new Service Director has been appointed. Early analysis predictions suggest improved attainment again for the 2018 academic year results at KS2. However, any increases in attainment levels are too early to fully quantify so the action will continue to be monitored throughout 2018.
17.5	**SCHOOL PLACES** Lead: Corporate Director: People and Communities	**Gap**: Demographic changes and new developments are placing increased strains on the schools places available. **Proposal**: Work is undertaken to model availability and reports are referred to Scrutiny and Cabinet for decisions.	An updated school organisation was presented to Children and Young People Scrutiny Committee in March 2018. All demand has been met but there remains an ongoing pressure in Infant year groups and a longer term challenge in Secondary schools. A full plan allows for these challenges. (**ACTION COMPLETE**)

17.6	**WORKFORCE PLANNING** Lead: Director of Governance	**Gap**: The Council is undergoing tremendous organisational change. This will create significant workforce issues around having the right skills, people and employee capacity. The Council will require employees to have different skill sets that underpin a transformed business model. **Proposal:** Human Resources have developed a series of training and workforce development schemes to ensure that the organisation is future proof. This is closely linked in with 1 above.	Sharing of officers and services between Peterborough City Council and Cambridgeshire County Council has been developed and implemented. Other services are also linked with other Councils. During the course of the year additional support has been explored and provided via the Workforce Training and Development model Cambridgeshire County Council utilise. This has been scaled and adapted to PCC's immediate requirements. This continues to be reviewed & developed especially as we revise our workforce strategy in light of the exploration of wider shared service arrangements with CCC. Ongoing works in this area will be delivered throughout 2018.
17.7	**NEW WAYS OF WORKING** Lead: Corporate Director: Resources	**Gap**: Linked to 6 above, as the Council gears up to move to new accommodation, it is critical that the appropriate tools are in place to cope with smarter ways of working. **Proposal**: Close partnership working is in place to ensure that accommodation; technological requirements; business, staff and stakeholder needs are met to deliver practical solutions in a leaner manner. Regular reports on progress are referred to Corporate Management Team.	Governance remains in place with a senior project Board which overseas progress of the Fletton Keys Programme. Responsible officers are held accountable for progress in respect of their workstreams. Agile working group continues to be a workstream attached to this project and is closely aligned to the HR workstream which encompasses a whole policy review. Development of policies are on track. Regular updates provided to managers / briefings etc. as we move towards relocation during 2018.

17.8	**INFORMATION** Lead: Director of Governance	**Gap**: The Council is increasingly managing, storing and maintaining personal data and information as part of the delivery of services. With data held in a vast array of places and transferring between supply chain partners, it becomes susceptible to loss, protection and privacy risks. **Proposal**: Information is paramount to the successful delivery of all services. Regular reviews of sharing protocols are in place.	The Council has undertaken a review of each service in terms of what personal information they collect, store and use as well as share. This review is line with the type of information needed to aid with GDPR compliance as well as the UK forthcoming Data Protection Act. This also ties into the Council's work on retention of information, system security, capabilities of those systems and the continuing development of the information asset register. The Information Governance team has issued factsheets and different media format guidance to staff on topics such as being secure, being aware of what data protection means to them. Senior managers have had briefings on the changes and the importance of being data protection aware. The Council has also now embedded privacy impact assessments in Verto project management and are preparing guidance on the completion of a Privacy Impact Assessment for officers. A members toolkit is under development to aid our Members with understanding their roles and how Data Protection affects them. It is expected to be available in July 2018. The Council continues to monitor and manage data incidents to minimise impact on the affected user as well as the business and reputation of the Council. Deadline for compliance with GDPR is 25 May 2018. Ongoing monitoring will be provided to CMT with further briefings to Members and officers.

17.9	**CYBER SECURITY** Lead: Corporate Director, Resources	**Gap**: It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management. The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate this risk, it is essential to raise awareness and commit to implementing a cyber security, risk averse culture. **Proposal**: Regular system monitoring and reporting is in place throughout the Council on the threats and actions to mitigate.	Our ICT partner, Serco, commissioned an external review of the ICT security arrangements and a report was received in Autumn 2017. The Council and Serco will look to address issues identified during 2018 in line with the draft action plan.
17.10	**FRAUD, CORRUPTION AND SERIOUS ORGANISED CRIME** Lead: Corporate Director, Resources	**Gap**: Pilot studies have been undertaken in a number of regions which has resulted in a best practice checklist being established to ensure that local authorities have sound and robust procedures to reduce the threat of Serious Organised Crime impacting on Council activities **Proposal**: Internal Audit will liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.	Internal Audit have undertaken a risk assessment against the Serious Organised Crime checklist. An initial focus has been on gifts and hospitality and will be reported on as part of Annual Audit Opinion. Limited frauds have been identified in year and Counter Fraud policies have been revisited, updated, referred to and approved by Audit Committee in March 2018. Works will now focus on raising awareness etc. through training and briefings in 2018 / 2019 and steps taken to review impact and existence of fraud.

17.11	**SCHOOL STATUTORY TESTING** Lead: Corporate Director, Resources	**Gap**: There are statutory requirements under several sets of regulations which require regular inspections and tests of systems and equipment. These can include lifts, hoists, air conditioning units, pressure systems, local exhaust ventilation systems and gas or electrical installations. An Internal Audit review of schools identified limited evidence that the programme of work was being managed or monitored. **Proposal**: As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.	There are ongoing meetings reviewing delivery of improvements. Separate reviews are in train covering Health and Safety across the Council estate to ensure consistence of approach. It is anticipated that actions will not have been completed until early summer.

As part of regular reviews of the governance, processes and procedures across the Council, a number of new issues to be addressed have been identified during 2017 / 2018. These are documented in Table 2 below.

Table 2: 2017 / 2018 NEW ISSUES TO BE RESOLVED			
	Area of Assurance	**Gap**	**Proposal to Mitigate**
18.1	**FINANCIAL MANAGEMENT** Lead: Acting Director of Corporate Resources	The budget for the Council is underpinned by a number of transformation projects and savings targets. There is a requirement to ensure that there is appropriate monitoring of these to ensure that these remain on track or alternatives options put in place to ensure the budget remains balanced.	Budgets will be developed to enable an ability to flex the budget so that savings / proposals can be moved between years if they cannot deliver early enough. Savings initiatives are now logged on Verto and will be reviewed as part of the monthly monitoring process. This will be linked with the establishment of quarterly budgets. This will give the Council the ability for earlier delivery of budget initiatives.

18.2	**COUNCIL GOVERNANCE** Leads: Chief Executive; Interim Director of Law and Governance; Acting Director of Corporate Resources	Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes. There is a requirement to simplify the arrangements so as to close off any ambiguity or other avenues which could be used if a decision has already been made to reject.	An overarching review of governance arrangements will be commissioned. This should include as a minimum all decision making processes, contract rules, financial rules etc. Comparisons will be made with Cambridgeshire County Council so as to ensure consistency as joint arrangements are extended.
18.3	**PROCUREMENT AND PROJECTS** Lead: Acting Director of Corporate Resources	Linked with 2 above, there is a need to ensure that consistent approaches and used to develop business cases for each project. Furthermore, as part of the delivery phase, appropriate arrangements are required to ensure compliance with contract rules.	Development of the Programme Management Office. In addition, the review of Financial Regulations will reflect these requirements.
18.4	**CORPORATE FRAUD** Lead: Chief Internal Auditor	With finite resources across the Council, there is a need to ensure that funds are used for their intended purpose and are not being misused or misappropriated. There are limited levels of fraud reported on across the Council. The Council will look to raise awareness across all departments, its contractors, suppliers and partners.	Corporate Fraud policies have been updated and reported to Audit Committee in March 2018. Appropriate training and raising awareness will be delivered to officers, Members and our key partners. A detailed Action Plan will be produced and reported through CMT and Audit Committee. Proactive works will be undertaken during the year. The Council will continue to take part in the National Fraud Initiative.
18.5	**IT GOVERNANCE** Lead: Interim Director of Law and Governance	Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline	Regular reporting on progress on compliance will be made to CMT and any areas of concern will be addressed.

18.6	**EMERGENCY PLANNING AND BUSINESS CONTINUITY** Lead: ALL Directors	The Council recognises the importance of putting in place robust arrangements for disaster recovery etc. This will mitigate the risk to the Council that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders.	Ensure that all Business Continuity Plans / Emergency Plans are reviewed reflecting any organisational structure and officer contact changes. These will need updating on the move to Fletton Quays. Provide training to officers involved in the reviewing and activation of Business Continuity Plans. Recent training at Cambridgeshire County Council will be explored for relevance and potential roll out. Activate a number of scenarios which could impact on service delivery (through a test environment). Evaluate their success in bringing back systems etc. in line with planned timescales and expectations. Quotes are being obtained to ensure that the Council has Terrorism insurance cover which was previously removed.
18.7	**PARTNERSHIPS** Leads: Interim Director of Law and Governance Acting Director of Corporate Resources	The Council has working relationships with a range of organisations and providers. There is a need to ensure there is effective oversight of each by Members and ongoing monitoring by officers.	An annual review of alternative delivery models will be undertaken (LLPs etc.)
18.8	**EQUALITY AND DIVERSITY** Lead: Interim Director of Law and Governance	While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date.	The Council will undertake a review of its action plans to ensure it remains current to its needs.

Summary

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continually throughout the year.

Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:	*To be signed by 31 July 2018*	Signed:	*To be signed by 31 July 2018*
Gillian Beasley, Chief Executive		Councillor John Holdich, Leader of the Council	
Date:		Date:	