PETERBOROUGH
CITY COUNCIL

Statement of Accounts

2018/19

Peterborough City Council
Statement of Accounts 2018/19

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Narrative Report

1 Peterborough's Vision and Strategic Priorities

Peterborough is the fifth fastest growing city in the UK, with a population of around 199,000 residents, which is rising all the time due to the city's ambitious growth aspirations and a higher than average birth rate. The city has seen significant levels of growth in housing with 5,032 new homes being built in the past five years, and planning permission granted for a further 8,500.

This growth brings financial benefits such as additional Council Tax and significant income growth in Business Rates as a result of attracting new businesses to Peterborough. However, it also brings additional costs of service delivery. The Council has seen increasing pressure on its Adult and Children's Social Care budgets, which has been recognised by Government, with additional funding across the sector being granted. The Council has also faced a sharp increase in homelessness, with over a 100% increase in the level of households coming to the Council for assistance because they were homeless or threatened with homelessness.

The Council's Corporate Strategy 2019-2022[1] was endorsed by Cabinet on 25 February 2019. This sets out the Council's vision, to create a Peterborough residents are proud to live, work and grow up in and where services give value for money and deliver what local people need. The Corporate Strategy identifies the following three core priority outcomes for all Peterborough Citizens:

1

Pride in our communities and environment	First rate futures for our children, young people - and quality support for our adults and elderly	Better jobs, good homes and better opportunities for all
We want safe, friendly and healthy neighbourhoods with open spaces, roads, pavements and cycle paths that are well maintained and free from litter and mess	We want to improve opportunities for education and training and to help people to do more for themselves, for each other and for their communities	We will grow our city in a sustainable and fair way to create job opportunities and address poverty. As we grow, we will invest in the quality and availability of housing

The Council is developing an ambitious programme of change, with a determination to improve lives for local people, despite an increasingly challenging financial context. The Medium Term Financial Strategy (MTFS) outlines how the Council will deliver these services, within the resources available to the Council. Work will continue to secure future financial sustainability, where the increasing demand for our services is met, despite the available funding continuing to decrease.

[1] https://democracy.peterborough.gov.uk/documents/s38213/8.%20Appendix%201%20-%20Corporate%20Strategy%202019%20to%202021.pdf

The Council will approach this by incorporating a greater degree of collaboration between local public services, providers and health partners to deliver shared priorities, community outcomes and cost efficiencies.

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 2018/19 (the Code).

It brings together the major financial statements for the financial year 2018/19. 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 2019;
- *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. As one of the fastest growing cities in the UK, this unprecedented growth in population brings substantial additional demand 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 funding. The Government are showing signs of listening to the sectors concerns around pressures by providing additional social care funding and additional Council Tax flexibility. However, according to the Local Government Association (LGA), councils are still facing a funding gap of over £3bn in 2019/20.

Local Government requires investment, financial sustainability and certainty to secure its future. These are areas that the LGA are campaigning for including creating positive outcomes housing, planning and homelessness, schools, and the social care system for both adults and children's services.

The Chancellor announced that the Spending Review 2019 (SR19), would be revealed in autumn 2019, confirming a three year funding settlement covering 2020/21 to 2022/23. However, the extension to Brexit discussions has raised speculation around the Government's ability to deliver both Brexit and SR19 to the same timeframes. There is a possibility of a one year settlement, postponing the three year settlement until 2020. This would mean that the fundamental changes to sector funding included in the Fairer Funding Review (FFR) and the Business Rate Retention Scheme (BRRS) could be delayed a further year. The re-distribution of funding could take place without the Spending Review, but as it is thought there was additional funding within the fiscal forecasts, this would have provided an ability to apply dampening to the changes.

The Ministry of Housing, Communities and Local Government (MHCLG) has now issued two consultations on the FFR, a review of the relative needs and resources allocation across Local Government. So far, the consultations have shown a direction of travel towards a flatter distribution of needs, indicating a good outcome for lower need, high tax base authorities. The final position is still unclear, and is not expected to be published until late autumn 2019. The limited information available to the Council means the future funding levels are uncertain, and there is an anxiousness around setting budgets beyond 2020/21.

There has also been consultations on the proposed BRRS system, where the government plans to increase the share of business rates local authorities retain from 50% to 75%. This will also be affected by the proposal to reset the business rates baseline and re-distribute growth. There are a number of pilot areas across the Country testing this methodology, as well as expected further consultations on proposals for a simplified system. However, like FFR, this still remains uncertain, with the final proposal and allocations expected in the autumn.

The Council will closely monitor these developments and represent residents and businesses of the City by contributing towards the consultation process. The Council will continue to make representation on working groups for this, alongside other local government colleagues and has provided comprehensive responses to the consultations to date.

4 Managing Organisational Performance

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

- Expanding commercial income, as outlined within the Commercial Strategy. This includes:
  - Improved procurement, commissioning and effective contract management;
  - Continuing to seek to maximise funding and contributions;

- Acquisition and Investment to generate a revenue stream.
- Continuing to innovate and develop efficiencies;
- Mitigating and controlling service demand pressures, including the ‘Think Communities’ initiative;
- Shared Services and fuller integration with Local Authorities and other partners;
- Reviewing discretionary services expenditure.

The Council continues to have 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 has been considered by Cabinet on a regular basis throughout 2018/19.

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.

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 and Joint Budget Scrutiny Committee, and consulted with the public and external stakeholders, prior to being recommended to Council for final approval.

At the meeting on 7 March 2018, Council agreed to implement a rolling budget process. This has been operated throughout 2018/19, making it possible for Council to identify and deliver savings earlier, while keeping a continued concentration on the Council’s MTFS, with it being reviewed more frequently throughout the year by Cabinet, Joint Budget Scrutiny Committee and Council.

The Council has continued to operate 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 met on monthly basis throughout 2018/19. 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 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 2018/19 KPI’s reported:

- Prompt payment of invoices to suppliers – 83.9% (82.5%, 2017/18) of invoices are paid promptly (within 30 days);
- Speed of collecting debtor accounts – a total of £68.5m (£56.9m, 2017/18) of invoices was raised with a total of £56.2m (£56.2m, 2017/18) collected, across all sundry debt;
- The collection of council tax and business rates – Council tax collection rate for was 95.83% (95.89%, 2017/18) and the business rates collection rate was 97.9% (97.81%, 2017/18);
- Financing costs as a proportion of the revenue budget- 3.9% (3.7%, 2017/18).

5 Revenue Position

The final revenue outturn is a £2.1m overspend. This is primarily a result of an overspend on the children's placement budget within the People and Communities directorate. Underspends in the Resources directorate, largely as a result of reduced capital financing costs, investment income and efficiencies have off set the full impact of this overspend in People and Communities.

The final position reflects the challenging financial times the Council and the local government sector now face, as pressures are emerging as a result of increasing demand and reduced funding. The following table shows how directorates performed against budget in 2018/19. Further detail is provided in the outturn report as presented to Cabinet on 17 June 2019.

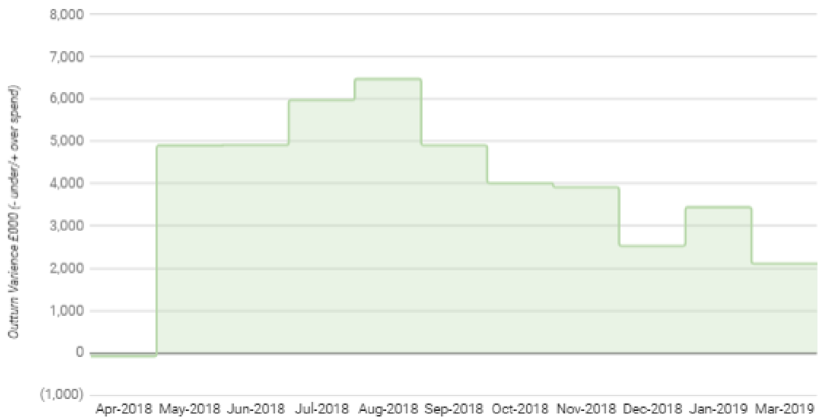
Funding of the 2018/19 overspend has been from funds held in the Capacity Building Reserve. The changes to the reserves are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), page 23, also shown in Note 17, page 53.

Net Revenue Expenditure	Revised Budget £000	Actual £000	Cont. to Reserve £000	Variance £000
Chief Executive	1,635	1,380	0	(255)
Governance	4,658	5,001	0	343
Growth & Regeneration	26,239	26,391	531	683
People & Communities	77,779	78,926	3,530	4,677
Public Health	(61)	(61)	0	0
Resources	41,569	34,855	4,440	(2,274)
Total Council Expenditure	**151,819**	**146,492**	**8,501**	**3,174**
Financing Adjustment				**(1,055)**
Revised Overspend				**2,119**
Transfer from Capacity Building Reserve				**(2,119)**

The revenue cost of financing the Council's borrowing totalled £15.5m in the year ending 31 March 2019, compared to £14.2m in the year ending 31 March 2018 (see Note 28, page 63). The Council continues to be able to finance its borrowing requirements at advantageous rates.

The following chart illustrates how the forecast outturn changed throughout the year as more detailed information on performance became available. This demonstrates the results of actions taken by management to reduce and manage budget pressures emerging during the year, following indications reported through forecast outturn overspends. Mitigating actions resulted in the reduction of the forecast overspend from £6.5m in August 2018 to a final overspend position of £2.1m.

Forecast Month by Month Outturn Variance for 2018/19



In August 2018 the forecast overspend reached £6.5m which was largely the result of a £4.4m pressure in relation to children's placements activity, an unachieved savings target within the Peterborough Serco Strategic Partnership contract and multiple budget pressures across the Council. Continued monitoring meant that as the year progressed, further actions were taken to manage all expenditure. The Council was able to benefit from savings on the capital financing budget, due to a lower than budgeted level of borrowing and additional income received due to the extension of a loan agreement with Empower. These forecast assumptions were updated, to reflect the improved position.

Reserves Balances

As at 31 March 2019, 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 £3.4m at 31 March 2019, compared with £5.6m at 31 March 2018. This decrease reflects twelve local schools converting to academy status during the financial year, whereby at the point of conversion the reserve balances are transferred from the Council to the new Academy. 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 net amount of £2.2m to the Capacity Building Reserve, this includes accounting for the £2.1m required to support the departmental overspends in the outturn position. This reserve will fund the future service transformation of the Council, and will be used to ensure that strategic, operational and financial delivery requirements can be met.

The overall departmental reserves increase of £1.7m relates to grant funding which has been received and not fully expensed through the year. The reserve has increased due to a select number of higher value grants, which will fund programmed expenditure in 2019/20, these include:

- Integrated Communities Strategy;
- Family Safeguarding Innovation Programme;
- Controlled Migration Fund (CMF).

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 2018/19 under proper accounting practices (see page 22).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2018/19 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 43).

Both EFA and CIES include comparative figures for 2017/18. 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 2018/19 MTFS of £158.7m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £181.3m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2019, was £98.3m. This compares to the final expenditure for each directorates and how this investment is planned to be financed of £95.9m. The 'Actual' values shown includes the Sand Martin House lease (£13.4m), which was not included in the January 2019 revised budget figures.

Capital Expenditure	**2018/19 MTFS Budget £000**	**Revised Budget Apr 2018 £000**	**Revised Budget Jan 19 £000**	**Actual £000**
Governance	49	49	-	-
Growth & Regeneration	55,239	63,363	49,494	45,745
People & Communities	58,883	64,692	34,096	29,166
Resources	16,195	1,119	12,947	19,303
Invest to Save	28,350	52,064	1,729	1,641
TOTAL	**158,716**	**181,287**	**98,266**	**95,855**
Financed by:				
Grants & Contributions	40,486	46,335	38,621	38,895
Borrowing	117,230	133,952	58,645	48,760
Capital Receipts (repayment of loans)	1,000	1,000	1,000	8,200
TOTAL	**158,716**	**181,287**	**98,266**	**95,855**

Major projects which progressed during 2018/19 and included in the expenditure figures in the previous table are:

- Nene Park Academy Expansion - £3.2m;
- Ormiston Bushfields Academy Expansion - £3.1m;
- Oakdale Primary 1 Form Entry Expansion - £3.2m;
- Street Lighting LED Project - £7.1m;
- Housing Joint Venture (Purchase of Midland Rd) - £5.3m;
- Homeless 50 Project - £5.7m.

Capital expenditure has been financed by grants, third party contributions, capital receipts and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25, pages 36 and 59.

The Council has a proactive approach to investing in housing and the regenerating of the City, with examples for 2018/19 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 2018/19 with capital investment going in to the fitting out and preparation of the Council buildings, including Sand Martin House, to ensure that the Council is able to meet the new and emerging needs of service delivery and provide opportunities for other organisations to lease parts of the building. The Council successfully moved in to its new offices in July 2018, and have recently secured a lease with the Construction Industry Training Board (CITB), who will occupy part of the building from summer 2019. Other businesses and housing on site remain under construction with some homes already reserved for sale;
- In October 2016, the Council announced that it would play the lead role in the comprehensive redevelopment of North Westgate. In 2018/19 the latest stage of the development was completed with Westgate being revamped in to a more pedestrian-friendly vibrant shopping street. The purchase of buildings in the area is ongoing to facilitate the major works planned for the future;
- In November 2018 'Housing 50' was initiated, with the approval to purchase 50 properties, up to a value of £10m, from the invest to save budget. This initiative is to provide the Council with a supply of affordable housing to be used as temporary accommodation, to meet the demand from the level of homeless households in Peterborough. At the end of the financial year the Council had accepted offers on 50 properties, with some of the properties already accommodating families by the end of the financial year:
- Medesham Homes LLP, a partnership between the Council and Cross Keys Homes, has successfully delivered 29 affordable homes at Midland Road. The properties were ready, and families moved in to these in December 2018, following a 10 month build. This investment has ensured that there is affordable housing available in the City, at a time when it is desperately needed.
- Peterborough Highway Services has completed the Bourges Boulevard phase two scheme, which has improved the appearance, safety and traffic flow around the City Centre. Further work has also been carried out on Bourges Boulevard to improve the access to the well-used train station carpark, this work was completed in 2018/19, and was funded via the Cambridgeshire and Peterborough Combined Authority.

Borrowing and Investments

The Treasury Management Strategy (TMS), approved as part of the 2018/19 MTFS at Council in March 2018, details the framework within which the Council's capital investment plans are to be delivered.

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

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

The following table shows that at 31 March 2019 the Council had net borrowings including cash and outstanding interest of £442.6m (£415.2m in 2017/18).

2017/18 £m		**2018/19 £m**
43.1	Short Term Borrowing	65.5
380.1	Long Term Borrowing	392.1
(8.0)	Investments	(15.0)
415.2	**Net Borrowing**	**442.6**

The Council invested in money market funds in 2018/19. 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 £48.8m, actual gross borrowing increased by £38.0m (net £31.0m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

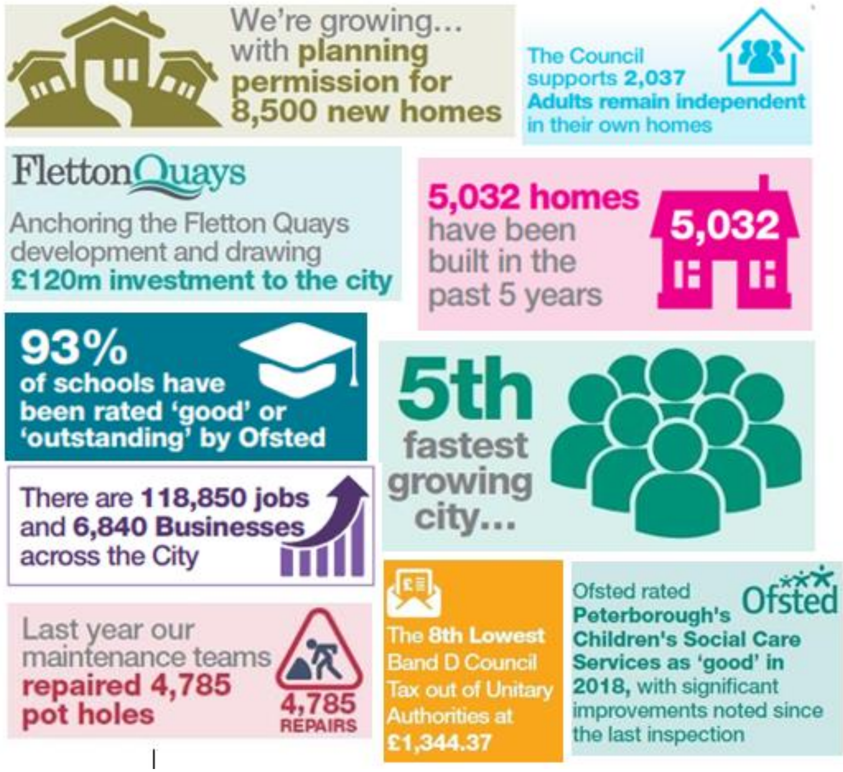
7 Council Performance 2018/19

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 2017 the city's population was estimated at 198,914;
- Peterborough was listed as having the 5th highest levels of housing growth in the Centres for Cities report 'Cities Outlook 2019' report;
- The Council maintained 562 miles of road, over 366 structures including, bridges, 24,000 street lighting columns, 719 miles of footpaths, 279 miles of off-road cycle ways and 114 sets of traffic signals;
- Peterborough is one of the first cities in the UK to benefit from Gigabit-capable full fibre broadband. As of January 2019, the first homes now have access to Gigabit speed broadband services of up to 1000mbps;
- 4,785 potholes were repaired;
- 93% of the Schools in the City were rated good or outstanding by Ofsted (improved from 88% in 2017/18);
- In 2018/19 we cleared up 7,464 fly-tips;
- Public Health services have completed 4,300 health checks, helped 844 people stop smoking and helped 1,700 achieve personal health goals;
- Peterborough has been chosen as one of five areas to participate in a government programme aimed at improving community integration;
- The Council looked after 368 Children in care and supported 2,037 adults to remain independent in their own home;
- At the end of 2018/19, the Council was supporting 364 homeless families in temporary accommodation (down from a peak of 385 in August 2018), with none of these families being placed out of area or in hotels;
- The Council, as part of a Joint Venture, has led the comprehensive £120m Fletton Quays redevelopment, and in

July 2018 became the first, anchoring tenant there, by moving the Council's offices into Sand Martin House.

Our City, Our Council:



8 Changes to Service Delivery and Operations

The Council is continuing to build on closer working partnerships with neighbouring councils. The role of Director of Law and Governance, Fiona McMillan, is now shared with Cambridgeshire County Council (CCC), this arrangement was effective from 1 November 2018.

In January 2019, the Council's Employment Committee approved a new management structure, which saw the removal of the role Corporate Director of Growth and Regeneration, and the creation and appointment to the following shared roles with CCC:

- Director or Business Improvement and Development- Amanda Askham
- Director of Corporate and Customer Services - Sue Grace
- Executive Director of Place and Economy – Steve Cox, with an expected to start date in June 2019.

The Council's website[2] outlines this new Council management structure.

Shared roles have also expanded throughout the People and Communities department, with many of the teams now being shared, including the commissioning function. With 164 shared roles across the Council and CCC, this joint approach is strengthening services in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the area.

Throughout 2018/19, the budget pressure from unprecedented demand for housing has continued. In previous years the

[2] https://pcc-live.storage.googleapis.com/upload/www.peterborough.gov.uk/council/Council-ChiefExecutiveStructureMarch-2019.pdf?inline=true

Council agreed leases with Cross Keys Homes and Stef and Phillips to secure a provision of temporary accommodation, which enabled the Council to house families which had become homeless. However, in August 2018 the demand for housing peaked with 385 households presenting themselves homeless, with the Council having to use accommodation out of area or hotels to meet this demand at the time.

The Housing Needs team has now been restructured, with significant resource put in to the area to focus on prevention. This has helped households stay in their own homes and avoid being in a position where housing is required. The Council has made substantial capital investment with the launch of 'Housing 50' initiative. This programme has been put in place to purchase 50 properties, specifically for use as temporary accommodation. At the same time the Council launched a scheme to secure 50 long-term leases with private landlords, to boost the housing supply available. A combination of all of the above measures has meant the Council has reduced the number of households in temporary accommodation to 364 at March 2019, with no households being placed in a hotel or out of area.

The Council has set up its first Local Authority Trading Company (LATCo), formally known as Aragon Direct Services. The new company, which is wholly owned by the council, represents a new delivery vehicle of many Council services, including building cleaning, passenger transport, waste and recycling, building and grounds maintenance, and street cleaning. These services have transferred from Amey in a phased approach over the period of 2 February to 4 May 2019, and ceases the contract with Amey as all staff delivering these services transfer to Aragon Direct Services.

The change in operating model enables the Council to continue to improve these services and develops a more flexible approach to meeting the growing needs of the City. By operating as a commercial company, the Council is able to expand the services delivered by the LATCo to a much wider market than a Council department, generating commercial income which will contribute towards creating a self-sufficient Council budget in the future.

The Council has adopted an agile approach to the way it works. This approach is supported through the adoption of new software applications and equipment and associated training to maximise efficiency gains and use of a modern working environment which facilitates new, agile working styles at Sand Martin House, Fletton Quays.

In keeping with using technology to realise benefits the Council will move on to Microsoft Office 365 suite. This will enhance the Council agile capabilities, and allow for a more streamlined approach to working within a shared service role, across multiple organisations.

The Council is keen to continue looking at digital and ICT technology, to drive future efficiencies through automation and system re-engineering.

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 2019/20 was balanced by the identification of £20.7m of budget reductions, including the use of £10.6m of capital receipts to repay debt as a one-off measure. The Council also plans to use of £3.1m from reserves.

A copy of the Council's MTFS for 2019/20 to 2021/22 can be found via the Council's website[3]. A summary of the budget changes agreed at Council on 6 March 2019 and the financial challenge, which still remains, is outlined in the following table. The Council will need to identify budget reductions totalling at least £20m by 2021/22 to set a balanced budget.

Summary Budget Position	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Budget Gap (without the use of reserves)	**12,712**	**19,317**	**16,926**
Service Pressures and investment			
Tranche 1	1,692	4,562	5,463
Tranche 2	4,224	3,696	3,668
Tranche 3	5,173	5,592	5,641
Total	**11,089**	**13,850**	**14,772**
Budget Position before Savings & additional income	**23,801**	**33,167**	**31,698**
Savings and additional income			
Tranche 1	(4,177)	(3,841)	(61)
Tranche 2	(11,418)	(5,641)	(5,308)
Tranche 3	(5,122)	(5,276)	(6,273)
Total	**(20,717)**	**(14,758)**	**(11,642)**
Use of Reserves	**(3,084)**	**-**	**-**
Final Budget Gap	**-**	**18,409**	**20,056**

The Council approved the increase to general council tax by 2.99% in 2019/20, following a change to the referendum limit announced as part of the 2019/20 Provisional Local Government Finance settlement in December 2018. The Council now has a much greater reliance of Council Tax compared to five years ago. In 2013/14 £56.6m of Council Tax Income was generated, this has increased by 38.2% to £78.2m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

The following diagram outlines the make-up of the Council's Key resources for 2019/20:

Revenue Support Grant (RSG) has decreased to £10.0m in 2019/20, in line with the levels confirmed in the four year settlement the Council obtained. RSG has seen a reduction of 80%, since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core resources.

Business rates income has grown significantly over recent years. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The City has

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

experienced an increase of 7%, over 2% higher growth than the UK average. This is forecast to continue to grow with the development of Fletton Quays progressing, the expansion of the Roxhill and Great Haddon site, along with other new business developments.

Other grants received include grants for Adult Social Care, which have been announced an a one-off basis for a number of years, as well as New Homes Bonus, which is an incentive based grant to reward local authorities for the development of new housing. The future of these grants is uncertain beyond 2019/20.

Efficiencies and one-off budget reductions have meant that the Council has been able to make lower reductions to service budgets and maintained the current level of services in the most cases, in its 2019/20 MTFS. This has been possible through 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. Due to the significant future funding gap, as part of the future budget planning process the level of service offer will need to be reviewed to bring this in line with the resource envelope available to the Council to deliver services.

Careful financial and performance monitoring will continue throughout 2019/20, with an enhancement to the frequency of reports and the type of rigour applied, and an emphasis being placed on tracking the achievement against savings targets. An April 2019 budget monitoring report is planned for Cabinet on 17 June 2019, to ensure early action is taken to resolve emerging pressures and with continued transparency being provided on 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 £18.4m budget gap in 2020/21, which is forecast to rise to £20.0m in 2021/22. The Council is focussing on creating a sustainable budget for the future and will continue to operate a rolling budget process throughout the year, with more frequent updated information being reported and consulted on.

The Council is in pursuit of service efficiencies from the continued delivery of shared services and aligned priorities with CCC. The Council aims to build on the success of the shared senior management team by sharing further positions within the management structure. Further areas for investigation include the consolidation of 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. The savings target, incorporated in the MTFS for this opportunity reaches £9.0m by 2020/21.

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, with confirmation of allocations expected in autumn 2019. 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 an enhanced approach to managing risk, with the Risk Management Board, led by the Acting Director Corporate Resources meeting regularly. The Board challenges and supports risk management across the Council and partner organisations.

The most current substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Present risks 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;
- There is a risk that the Council's financial resilience is insufficient to further withstand the combination of pressures from reducing grant and the increased cost of service delivery. Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The strategy to strengthen this includes changes to the arrangements for procuring/commissioning services and commercialisation, however a clear medium term financial solution is not fully identified;
- Levels of one-off, non-repeatable savings - the Council has used a number of non-repeatable budget savings, such as capital receipts 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 now operates 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 embarking on a programme of transformation where services will be shared and integrated with CCC. An ambitious target has been allocated against this activity in the MTFS, 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 the Shared Services Programme Board, 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 will continue to input in to the various consultations, to ensure its funding requirements are voiced;

- 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).

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:

- One-off, non-repeatable savings;
- 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;
- Seeking value for money from our contracts and future procurement;
- Reducing the capital programme, and therefore the cost of borrowing;

The Council will endeavour to protect services and avoid drastic cuts but will need to deliver services within its financial envelope. The Council is aspiring to achieve this by becoming 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 2019/20 in its MTFS. The budget supported the Council's key priorities and included £20.7m of budget reductions, and the use of £3.1m from the Grant Equalisation reserve. The budget gap in 2020/21 remains at £18.4m, rising to £20m in 2021/22. 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 where possible managed the financial challenges during 2018/19, 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 has significantly reduced the forecasted overspend by £4.4m, from £6.5m at its peak in August 2018 to £2.1m by the end of the financial year.

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

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 2019

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To be added following conclusion of audit – July 2019

To be added following conclusion of audit – July 2019

To be added following conclusion of audit – July 2019

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.

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Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2019 was approved at the meeting of the Audit Committee on 15 July 2019.

Signed on behalf of Peterborough City Council:

Chairperson of meeting approving the accounts:

David Over

Date: July 2019

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 22 to 95 present a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Acting Director of Corporate Resources:

Peter Carpenter

Date: July 2019

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 2017/18**						2018/19	
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £000*	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes (From Page 26)**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,183	*(626)*	*1,557*	Chief Executives		2,170	(672)	1,498
6,486	*(1,779)*	*4,707*	Governance	4	6,336	(1,122)	5,214
322,895	*(228,128)*	*94,767*	People & Communities	1, 2, 6	305,516	(198,998)	106,518
103,440	*(82,861)*	*20,579*	Resources	3	90,572	(66,719)	23,853
70,624	*(18,614)*	*52,010*	Growth & Regeneration		68,987	(20,022)	48,965
11,371	*(11,353)*	*18*	Public Health	6	11,083	(11,110)	(27)
516,999	*(343,361)*	*173,638*	**Cost of Services**		**484,664**	**(298,643)**	**186,021**
15,859	*(14,726)*	*1,133*	Other Operating Income & Expenditure	9	12,900	(9,661)	3,239
52,667	*(6,481)*	*46,186*	Financing & Investment Income & Expenditure	10,11	104,590	(7,727)	96,863
2,514	*(167,046)*	*(164,532)*	Taxation & Non-Specific Grant Income & Expenditure	12	2,642	(166,143)	(163,501)
588,039	*(531,614)*	*56,425*	**(Surplus) / Deficit on Provision of Services**	15	**604,796**	**(482,174)**	**122,622**
		(23,720)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(5,571)
		(12,495)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			46,056
		(36,215)	**Other Comprehensive Income & Expenditure**				**40,485**
		20,210	**Total Comprehensive Income & Expenditure**				**163,107**

** Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a 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 46.

Movement in Reserves during 2017/18 and 2018/19	**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 2017		*(6,000)*	*(5,406)*	*(32,975)*	*-*	*(1,210)*	*(45,591)*	*115,176*	*69,585*
Total Comprehensive Income & Expenditure		*56,578*	*(153)*	*-*	*-*	*-*	*56,425*	*(36,215)*	*20,210*
Adjustments between accounting basis & funding basis under regulations		*(58,502)*	*-*	*-*	*-*	*(6)*	*(58,508)*	*58,508*	*-*
Net Increase / Decrease before Transfers to Earmarked Reserves		*(1,924)*	*(153)*	*-*	*-*	*(6)*	*(2,083)*	*22,293*	*20,210*
Transfers to / (from) Earmarked Reserves		*1,924*	*-*	*(1,924)*	*-*	*-*	*-*	*-*	*-*
(Increase) /Decrease in 2017/18		*-*	*(153)*	*(1,924)*	*-*	*(6)*	*(2,083)*	*22,293*	*20,210*
Restated Balance at 31 March 2018 Carried Forward		*(6,000)*	*(5,559)*	*(34,899)*	*-*	*(1,216)*	*(47,674)*	*137,469*	*89,795*
Balance at 1 April 2018		**(6,000)**	**(5,559)**	**(34,899)**	**-**	**(1,216)**	**(47,674)**	**137,469**	**89,795**
Total Comprehensive Income & Expenditure		120,437	2,185	-	-	-	122,622	40,485	163,107
Adjustments between accounting basis & funding basis under regulations		(116,755)	-	-	(7,663)	106	(124,312)	124,312	-
Net Increase before Transfers to Earmarked Reserves		3,682	2,185	-	(7,663)	106	(1,690)	164,797	163,107
Transfers to / (from) Earmarked Reserves		(3,682)	-	3,682	-	-	-	-	-
(Increase) / Decrease in 2018/19		**-**	**2,185**	**3,682**	**(7,663)**	**106**	**(1,690)**	**164,797**	**163,107**
Balance at 31 March 2019 Carried Forward		**(6,000)**	**(3,374)**	**(31,217)**	**(7,663)**	**(1,110)**	**(49,364)**	**302,266**	**252,902**

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 23, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018	**Balance Sheet**	**Notes**	**31 March 2019**
£000			**£000**
603,515	Property, Plant & Equipment	18	548,941
21,797	Investment Property	19	25,676
8,978	Intangible Assets	20	9,144
7,787	Long term Debtors	28, 29	1,372
642,077	**Long Term Assets**		**585,133**
25	Short Term Investments	28, 29	17
436	Inventories	31	456
83,535	Short Term Debtors	32	76,699
8,756	Cash & Cash Equivalents	29, 40	15,268
285	Current Intangible Asset	33	128
80	Assets Held for Sale	21	1,217
93,117	**Current Assets**		**93,785**
(43,074)	Short Term Borrowing	28	(69,062)
(68,997)	Short Term Creditors	35	(63,757)
(6,698)	Provisions	34	(9,088)
(118,769)	**Current Liabilities**		**(141,907)**
(271,338)	Long Term Creditors (Pension Liability)	7	(332,035)
(142)	Provisions	34	(175)
(380,087)	Long Term Borrowing	28	(392,087)
(33,847)	Other Long Term Liabilities	28, 29	(45,720)
(20,806)	Capital Grants Receipts in Advance	36	(19,896)
(706,220)	**Long Term Liabilities**		**(789,913)**
(89,795)	**Net (Liabilities) / Assets**		**(252,902)**
(47,674)	Usable Reserves	16	(49,364)
137,469	Unusable Reserves	16	302,266
89,795	**Total Reserves**		**252,902**

Peter Carpenter – Acting Director of Corporate Resources July 2019

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.

2017/18		Notes	**2018/19**
£000	**Cash Flow Statement**		**£000**
56,425	Net (Surplus) / Deficit on the Provision of Services		122,622
(32,367)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(91,780)
(64,871)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(60,782)
(40,813)	**Net Cash Flows from Operating Activities**		**(29,940)**
78,674	Investing Activities	38	62,568
(30,190)	Financing Activities	39	(39,140)
7,671	**Net (Increase) / Decrease in Cash & Cash Equivalents**		**(6,512)**
16,427	Cash & Cash Equivalents at the Beginning of the Reporting Period		8,756
(7,671)	Increase / (Decrease) in Cash and Cash Equivalents		6,512
8,756	**Cash & Cash Equivalents at the end of the Reporting Period**	40	**15,268**

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2018/19 and for the previous financial year 2017/18 are as follows:

Schools Budget Funded by Dedicated Schools Grant	**Central Expenditure £000**	**ISB £000**	**Total £000**
Final DSG for 2018/19 before Academy and high needs recoupment			(204,661)
Academy and high needs figure recouped for 2018/19			106,638
Total DSG after Academy and high needs recoupment for 2018/19			(98,023)
Brought forward from 2017/18			(2,119)
Carry forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	(38,510)	(61,632)	(100,142)
In year adjustments	56	-	56
Final budgeted distribution for 2018/19	(38,454)	(61,632)	(100,086)
Less actual central expenditure	35,481	-	35,481
Less actual ISB deployed to schools	-	61,632	61,632
Plus Council contribution for 2018/19	-	-	-
Carry Forward to 2019/20	**(2,973)**	**-**	**(2,973)**
Total amount carried forward			**(2,973)**

The Council's expenditure on running schools is funded primarily by DSG provided by the Education and Skills Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. 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 2017/18 before Academy and high needs recoupment			*(193,422)*
Academy and high needs figure recouped for 2017/18			*76,815*
Total DSG after Academy and high needs 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)*

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund (BCF), 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 2018/19 was £13.3m (2017/18 £13.0m) of which £6.8m (2017/18 £6.6m) is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £1.8m (2017/18 £1.7m) directly received capital funding and £4.7m (2017/18 £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 2018/19 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 (2017/18 £0.9m).

Integrated Community Equipment Services (ICES)

The annual S75 agreement for 2018/19 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.4m (2017/18 £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 (2017/18 £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).

2017/18 £000	**External Audit Costs**	**2018/19 £000**
144	Fees payable with regard to external audit services carried out by the appointed auditor	97
-	Other services provided by the appointed auditor	-
144	**Total**	**97**

4 Member's Allowances

The following amounts were paid to members of the Council. The level of member allowances is recommended by an independent panel. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis

2017/18 £000	**Member's Allowances**	**2018/19 £000**
839	Allowances	847
1	Expenses	-
840	**Total**	**847**

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £0.9m (2017/18 £1.2m). 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:

2017/18 £000	**Termination Benefits**	**2018/19 £000**
8	Governance	20
51	Growth & Regeneration	186
867	People & Communities	443
133	People & Communities (Schools)	146
-	Public Health	16
110	Resources	115
1,169	**Total**	**926**

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 2018/19

Compulsory No.	**Voluntary No.**	**Total No.**	**Bands**	**Compulsory £000**	**Voluntary £000**	**Total £000**	Pension Strain inc. in total [1] £000
12	11	23	£0 - £19,999	34	116	150	13
2	8	10	£20,000 - £99,999	128	253	381	23
-	2	2	£100,000 - £150,000 +	-	395	395	283
14	**21**	**35**	**Total**	**162**	**764**	**926**	**319**

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*

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

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

In 2018/19 the Council paid £4.7m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2017/18 were £6.2m and 16.5%.

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 2018/19 the Council paid £0.1m to NHS Pensions in respect of employee's retirement benefits, representing 14.3% of pensionable pay. The figures for 2017/18 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.

2017/18 £000	**Comprehensive Income & Expenditure Statement**	**2018/19 £000**
	Cost of Services:	
23,163	Current service cost	20,888
19	Past service cost	1,390
(3,713)	Effect of settlements	(649)
	Financing & Investment Income & Expenditure	
(11,602)	Interest Income on Scheme Assets	(12,334)
18,713	Interest Cost on Defined Benefit Obligation	19,756
26,580	**Total post-employment benefit charged to the Deficit on the Provision of Services**	**29,051**
	Other employment benefit charged to the CIES	
1,762	Return on plan assets (excluding the amount included in the net interest expense)	(17,707)
-	Actuarial gains and losses arising on changes in demographic assumptions	-
(14,365)	Actuarial gains and losses arising on changes in financial assumptions	62,946
(133)	Other Experience	816
241	Adjustment to actuarial estimate contribution	1
(12,495)	Total Remeasurements Recognised in CIES	46,056
14,085	**Total post-employment benefit charged to the CIES**	**75,107**
	Movement in Reserves Statement	
(14,085)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(75,107)
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,034	Employer's contributions payable to scheme	14,410
949	**Total Movement in Reserves Statement**	**(60,697)**

The previous 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.

31 March 2018 £000	**Pensions Assets and Liabilities Recognised in the Balance Sheet**	**31 March 2019** £000
456,983	Fair Value of Employer Assets	487,223
(706,119)	Present Value of Funded Liabilities	(796,685)
(22,202)	Present Value of Unfunded Liabilities	(22,573)
(271,338)	**Total**	**(332,035)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £332m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 51. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2018 £000	**Reconciliation of the Fair Value of the Scheme Assets**	**31 March 2019 £000**
446,376	Opening fair value of Scheme Assets	456,983
11,602	Interest Income	12,334
(1,762)	Return on plan assets, excluding the amount included in the net interest expense	17,707
(1,029)	Effect of Settlements	(189)
15,034	Contributions from Employer	14,410
(241)	Adjustment for Actuarial estimated Employer Contributions	(1)
3,697	Contributions from Employees	3,559
(16,694)	Benefits Paid	(17,580)
456,983	**Closing Fair Value of Scheme Assets**	**487,223**

The deficit on the local government scheme will be made good by contributions over the remaining working life of employees

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(i.e. before payments fall due), as assessed by the scheme actuary.

31 March 2018 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2019 £000
718,663	Opening Liability at 1 April	728,321
23,163	Current Service Cost	20,888
18,713	Interest Cost	19,756
3,697	Contributions from Scheme Participants	3,559
(14,365)	Actuarial gains/losses arising from changes in financial assumptions	62,946
-	Actuarial gains/losses arising from changes in demographic assumptions	-
(133)	Other experience	816
(4,742)	Liabilities Extinguished on Settlements	(838)
19	Past Service Costs including curtailments	1,390
(16,694)	Benefits Paid	(17,580)
728,321	**Closing Liability at 31 March**	**819,258**

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 2018 £000	Local Government Pension Scheme Assets comprised	31 March 2019 £000
	Equity Securities	
12,690	Consumer	14,720
8,206	Manufacturing	8,769
9,835	Energy and Utilities	10,232
19,693	Financial Institutions	18,315
4,848	Health and Care	2,948
2,157	Information Technology	2,592
57,429	Sub-total equity	57,576
11,521	**Debt Securities – Government Bonds**	12,086
42,388	**Private Equity**	36,890
	Investment Funds and Unit Trusts	
253,079	Equities	272,938
45,927	Bonds	45,277
-	Infrastructure	20,279
31,926	Other	36,143
330,932	Sub-total Investment Funds and Unit Trusts	374,637
14,713	**Cash and Cash Equivalents**	6,034
456,983	**Total Assets**	**487,223**

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 valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. The ruling has implications for the LGPS since similar reforms were implemented.

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

31 March 2018	**Long-term expected rate of return on assets in the scheme**	**31 March 2019**
2.7%	Equity Investments	2.4%
2.7%	Bonds	2.4%
2.7%	Property	2.4%
2.7%	Cash	2.4%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.4	Men (years)	22.4
24.4	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	2.5%
2.7%	Rate of increase in salaries	2.8%
2.7%	Rate for discounting scheme liabilities	2.4%
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%

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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.

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 following year. The Council anticipates to pay £12.5m expected contributions to the scheme in 2019/20 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 0.

The Council shares a number of posts with Cambridgeshire County Council (CCC), see note 13. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are not included in this note.

The Council has been acting as employer for 38 staff working for Cambridgeshire and Peterborough Combined Authority (CPCA). 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 transfer to sole CPCA employment on 1 May 2019. 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 2018/19 was approved on 7 March 2018.

2017/18 No. of Employees					**2018/19 No. of Employees**			
Non Schls	*Schls*	*CPCA*	*Total*	**Remuneration Band**	**Non Schls**	**Schls**	**CPCA**	**Total**
27	*27*	*-*	*54*	£50,000 - £54,999	29	25	-	**54**
8	*17*	*1*	*26*	£55,000 - £59,999	17	16	1	**34**
13	*13*	*-*	*26*	£60,000 - £64,999	10	15	1	**26**
7	*14*	*-*	*21*	£65,000 - £69,999	10	7	2	**19**
8	*6*	*-*	*14*	£70,000 - £74,999	8	10	-	**18**
4	*7*	*-*	*11*	£75,000 - £79,999	3	4	3	**10**
3	*5*	*-*	*8*	£80,000 - £84,999	5	4	1	**10**
3	*1*	*-*	*4*	£85,000 - £89,999	4	2	-	**6**
1	*4*	*-*	*5*	£90,000 - £94,999	1	2	-	**3**
1	*2*	*-*	*3*	£95,000 - £99,999	-	2	-	**2**
-	*1*	*-*	*1*	£100,000 - £104,999	1	-	-	**1**
-	*1*	*-*	*1*	£105,000 - £109,999	1	2	1	**4**
2	*1*	*-*	*3*	£110,000 - £114,999	-	1	-	**1**
1	*-*	*-*	*1*	£115,000 - £119,999	-	-	-	**-**
-	*-*	*-*	*-*	£120,000 - £124,999	3	-	-	**3**
1	*-*	*-*	*1*	£125,000 - £129,999	-	-	-	**-**
1	*-*	*-*	*1*	£130,000 - £134,999	-	1	-	**1**
1	*-*	*-*	*1*	£140,000 - £144,999	1	-	1	**2**
1	*-*	*-*	*1*	£145,000 - £149,999	1	-	-	**1**
-	*-*	*-*	*-*	£170,000 - £174,999	1	-	-	**1**
1	*-*	*1*	*2*	£175,000 - £179,999	-	-	-	**-**
-	*-*	*-*	*-*	£195,000 - £199,999	-	-	1	**1**
-	*-*	*-*	*-*	£220,000 - £224,999	1	-	-	**1**
83	*99*	*2*	*184*	**Total**	**96**	**91**	**11**	**198**

Senior Employees Remuneration

The table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears. There were no Bonuses or Benefits in Kind payable during 2018/19 or 2017/18.

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 G Beasley *see Note A*	2018/19	£173,598	-	-	£373	**£173,971**	£29,375	**£203,346**
	2017/18	*£171,597*	-	-	*£4,875*	*£176,472*	*£28,692*	*£205,164*
Corporate Director: People & Communities *see Note A*	2018/19	£145,152	-	-	£350	**£145,502**	£6,262	**£151,764**
	2017/18	*£143,963*	-	-	*£750*	*£144,713*	*£24,759*	£169,472
Acting Corporate Director: Resources From 30 March 2018 *see Note B*	2018/19	£121,535	-	-	£200	**£121,735**	£21,147	**£142,882**
	2017/18	-	-	-	-	-	-	-
Corporate Director: Resources J Harrison to 31 July 2017 *see Note B*	2018/19	-	-	-	-	-	-	-
	2017/18	*£109,200*	-	-	*£4,550*	*£113,750*	*£8,671*	*£122,421*
Corporate Director: Growth & Regeneration to 17 March 2019 *see Note C*	2018/19	£126,425	-	94,945	-	**£221,370**	£22,027	**£243,397**
	2017/18	*£127,939*	-	-	*£250*	*£128,189*	*£22,143*	£150,332
Director of Governance to 27 November 2017 *see Note D*	2018/19	£65,899	-	-	-	-	-	-
	2017/18	*£65,899*	-	-	*£3,950*	*£69,849*	*£11,526*	£81,375
Assistant Director of HR and Development from 1 July 2017 *see Note E*	2018/19	£81,029	-	-	£1,145	**£82,174**	£14,099	**£96,273**
	2017/18	*£57,861*	-	-	*£610*	*£58,471*	*£9,938*	*£68,409*
Senior Employees employed on behalf of Cambridgeshire & Peterborough Combined Authority (CPCA)								
CPCA Chief Executive – K Sawyer from 26 September 2018 *see Note F*	2018/19	£77,474		-	-	**£77,474**	£13,480	**£90,954**
CPCA Chief Executive – M Whiteley to 30 September 2018 *see Note F*	2018/19	£94,027	£7,500	£95,000	-	**£196,527**	£16,159	**£212,686**
	2017/18	*£162,894*	*£14,917*	-	-	*£177,811*	*£28,214*	*£206,025*

1. Salary is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details.
2. Payment for election duties depend on the elections overseen in the year. During 2017/18 there were three local by-elections, a General Election, and a Cambridgeshire & Peterborough Combined Authority Mayoral Election, during 2018/19 there was a local by-election The General Election costs are funded by the Electoral Commission and 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.

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 2018/19 was £52,632 (2017/18 £52,932). From 1 January 2019 the Council also shared CCCs Director of Customer & Digital Services (£16,250) and Director of Business Improvement & Development (£19,625)

B – The Corporate Director Resources: From 30 March 2018 the post is being covered by an internal acting up arrangement. 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. The role was seconded part time to Fenland District Council between 2 July and 13 August 2018 for which the Council received £9,000 (2017/18 - 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 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.)

C – The full cost of the Corporate Director: Growth & Regeneration is included in the table. From 2 January to 17 March 2019 the postholder was seconded full time to South Kesteven District Council for which the Council received £34,340. (2017/18 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). From 7 January this post was covered in the Corporate Management Team by an interim Development Director at a cost of £62,239.

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 an interim and then, from 1 November 2018 through sharing CCC's Service Director, Legal and Governance at a total cost of (£62,362) (2017/18 - 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 works full time for 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 will transfer to sole CPCA employment from 1 May 2019.

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

2017/18 £000	Other Operating Income & Expenditure	2018/19 £000
600	Parish Council Precepts	586
613	Drainage & Flood Levies	627
4	Payments to the Government Housing Capital Receipts Pool (Note 16)	2
1,371	Net (Gains) / Losses on Disposal of Non-Current Assets	3,244
(1,455)	Gains on Right To Buy Receipts	(1,220)
1,133	**Total**	**3,239**

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

2017/18 £000	Financing & Investment Income & Expenditure	2018/19 £000
16,585	Interest Payable & Similar Charges (Note 28)	17,704
(1,268)	Interest Receivable & Similar Income (Note 28)	(1,991)
(166)	Other Investment Income	(201)
7,111	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	7,422
(2,138)	(Gains) / Losses on Trading Operations (Note 11)	(1,099)
90	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	(1,088)
(103)	Impairment and Derecognition of Current Assets and Long Term Debtors	1,035
26,075	De-recognition of Subsidiary Assets	75,081
46,186	**Total**	**96,863**

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 incorporated a range of schemes which were designed to both generate a profit for the Council and deliver aspects of the Council's Environment Capital vision. All significant activity on these schemes ended during 2017/18.

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

Trading Operations 2018/19	Expenditure £000	Income £000	Deficit / (Surplus) £000
Industrial Properties	135	(897)	(762)
Commercial Properties	868	(1,941)	(1,073)
Market Properties	285	(288)	(3)
Total for Properties	**1,288**	**(3,126)**	**(1,838)**
Westcombe Industries	1,559	(1,321)	238
Environment Capital	-	-	-
Other Traded Services	**1,559**	**(1,321)**	**238**
Sub Total	**2,847**	**(4,447)**	**(1,600)**
Capital Charges Adjustment	501	-	501
Total for Trading Units	**3,348**	**(4,447)**	**(1,099)**

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)

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

2017/18 £000	Taxation & Non-Specific Grant Income	2018/19 £000
	Taxation Income	
(69,029)	Council Tax Income	(74,599)
213	NDR Levy Payment	272
2,301	NDR Tariff Payment	2,370
(44,193)	NDR Income	(45,454)
(110,708)	**Total Taxation Income**	**(117,411)**
	Non-Specific Government Grants	
(19,821)	Revenue Support Grant	(15,056)
(6,641)	New Homes Bonus	(5,153)
(2,809)	Section 31 Grant	(4,234)
(29,271)	**Total Non-Specific Government Grants**	**(24,443)**
(24,553)	Capital Grants & Contributions (Note 25)	(21,647)
(164,532)	**Total Income**	**(163,501)**

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 (2018/19 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 60 Councillors one declaration of related party interests was not received by 29 May 2019.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018/19 is shown in Note 0. 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 M Nadeem is Director of Nadeem Construction Ltd which the Council paid £355k under a contract for Care & Repair services, £34k of which was outstanding at 31 March 2019.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £114k for services during 2018/19.
- Cllr M Cereste is Director of Tower Properties (Peterborough) Limited which the Council paid £110k for leasing of emergency housing during 2018/19.

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 2018/19 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 2018/19 the Council spent £2,360k on services with Vivacity (2017/18 £2,304k) and received £1,281k from Vivacity for services (2017/18 £1,434k). At 31 March 2019 the Council owed nil to Vivacity (2017/18 nil) and Vivacity owed £1,200k to the Council (2017/18 £723k).

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

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

- Legal services to Rutland County Council and Fenland District Council,
- Regulatory services to Rutland County Council,
- Planning policy services to Fenland District Council, North Kesteven District Council (until Dec 2018) and East Cambridgeshire District Council,
- Neighbourhood planning service to North Kesteven District Council and West Lindsey District Council,
- Health and safety services to Rutland County Council

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

These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature, except to the arrangements with Cambridgeshire County Council and

Cambridgeshire and Peterborough Combined Authority (as follows).

Cambridgeshire County Council

The Council shares its Chief Executive, other senior staff and a range of services with Cambridgeshire County Council (CCC) to generate savings for the mutual benefit of both councils. Services shared include Public Health and Social Care Commissioning, Children and Adult Social Care management structures and Regulatory Services. During 2018/19 the Council spent £3,019k with CCC (2017/18 £1,372k) and received £3,319k from CCC (2017/18 £2,451k). At 31 March 2019 the Council owed £2,168k to CCC (2017/18 £917k) and CCC owed £2,058k to the Council (2017/18 £1,069k).

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. From 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The Council has been providing a range of services to support CPCA. These include Legal, Insurance, Internal Audit, Treasury Management, Finance Systems, Accountancy, and HR & Payroll. As part of the HR & Payroll SLA during 2018/19 the Council is acted as employer for 38 CPCA staff. These staff will transfer to sole CPCA employment from 1 May 2019. During 2018/19 the Council has received £3,592k from CPCA for services provided, costs incurred and grants (£1,994k 2017/18). A debtor balance of £673k was outstanding at 31 March 2019 (£836k 31 March 2018).

Entities Controlled or Significantly Influenced by the Council

The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, 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 2018/19 the amount raised was £17k (2017/18 £29k).

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

The council has interests in a number of subsidiaries and Joint Ventures. Summary financial information of the companies and related party transactions with the Council as disclosed in the table below:

			Opportunity Peterborough Limited £000	Blue Sky Peterborough £000	Peterborough Investment Partnership LLP £000	Empower CIC £000	NPS Peterborough Limited £000	Medesham Homes LLP £000	Medesham Limited £000	Peterborough Limited £000
Company Financial Information:										
Profit / (Loss)		2018/19	53	-	128	6	98	132	-	(635)
		2017/18	*(37)*	-	*(989)**	-	*88*	*(27)*	-	-
Net Assets		2018/19	199	-	1,894	8	222	305	-	(635)
		2017/18	*146*	-	*1,766**	*2*	*124*	*173*	-	-
Related Party Transactions with the Council:										
Cost to the Council	In Year	2018/19	363	-	-	-	2,168	5,572	-	110
		2017/18	*529*	-	-	-	*2,533*	*2,290*	-	-
	Balance at year end	31 March 2019	148	-	-	-	79	-	-	110
		31 March 2018	*2*	-	-	-	*37*	-	-	-
Income to the Council	In Year	2018/19	(12)	-	(511)	-	(166)	-	-	595
		2017/18	*(16)*	-	*(1,326)*	-	*(104)*	-	-	-
	Balance at year end	31 March 2019	-	-	(28)	-	-	-	-	595
		31 March 2018	-	-	*(104)*	-	*(55)*	-	-	-

* *Restated as figures disclosed in 2017/18 Statement of Accounts were from draft company accounts.*

Opportunity Peterborough Limited

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

The related party transactions include a funding contribution to the company of £190k (2017/18 £207k).

Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2019 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and 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

Empower Community Interest Company (CIC)

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

NPS Peterborough Ltd

NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company to 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.

Medesham Homes LLP

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

The related party transaction are all capital for the provision of homes for affordable rent except £282k for the purchase of land.

Medesham Limited

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

Peterborough Limited

The registered name of the company is Peterborough Limited and is a wholly owned subsidiary of Peterborough City Council trading under the name Aragon Direct Services. It was incorporated on the 31 July 2018. The company is a Local Authority Trading Company (LATCo) and was set up to deliver services which had previously been provided under contract by Amey. Building cleaning transferred to Peterborough Limited on 2 February 2019 with, passenger transport and waste and recycling following on 1 April 2019, and building maintenance, street cleansing and grounds maintenance on 4 May 2019. The company is limited by shares, and the share capital of the company is £1.

The company has been set up as a Teckal company, which means that at least 80% of its income will come from the Council.

In addition the related party transactions disclosed in the table the Council made available a £1,750k loan facility to Peterborough Limited at a commercial interest rate to provide working capital. As at 31 March 2019 £940k of this facility had been drawn down.

As the company has only just started trading, the set up costs have not yet been recovered and a loss was recorded. Due to the Council loan facility the company has sufficient cash to trade until a profit is made.

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 2017/18**					**2018/19**		
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 26)**	**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**
1,426	*131*	*1,557*	Chief Executives		1,380	118	1,498
4,499	*208*	*4,707*	Governance	4	5,001	213	5,214
73,388	*21,379*	*94,767*	People & Communities	1, 2, 6	81,111	25,407	106,518
34,441	*(13,862)*	*20,579*	Resources	3	34,855	(11,002)	23,853
21,810	*30,200*	*52,010*	Growth & Regeneration		26,391	22,574	48,965
1	*17*	*18*	Public Health	6	(61)	34	(27)
135,565	*38,073*	*173,638*	**Cost of Services**	15	**148,677**	**37,344**	**186,021**
(137,642)	*20,429*	*(117,213)*	Other Income & Expenditure	9,10,11,12	(142,810)	79,411	(63,399)
(2,077)	*58,502*	*56,425*	**(Surplus) / Deficit on Provision of Services**	15	**5,867**	**116,755**	**122,622**
(44,381)			Opening General Fund Balance	16	(46,458)		
(2,077)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		5,867		
(46,458)			**Closing General Fund Balance****	16	**(40,591)**		

** Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a 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 2017/18*					2018/19			
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**
-	*130*	*1*	*131*	Chief Executives	-	117	1	118
16	*193*	*(1)*	*208*	Governance	17	193	3	213
15,420	*6,990*	*(1,031)*	*21,379*	People & Communities	24,144	5,616	(4,353)	25,407
32,151	*(3,616)*	*(42,397)*	*(13,862)*	Resources	79,522	593	(91,117)	(11,002)
27,705	*718*	*1,777*	*30,200*	Growth & Regeneration	22,293	668	(387)	22,574
-	*20*	*(3)*	*17*	Public Health	-	32	2	34
75,292	*4,435*	*(41,654)*	*38,073*	**Cost of Services**	**125,976**	**7,219**	**(95,851)**	**37,344**
(25,914)	*7,111*	*39,232*	*20,429*	Other income and expenditure from the EFA	(23,952)	7,422	95,941	79,411
49,378	*11,546*	*(2,422)*	*58,502*	**Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services**	**102,024**	**14,641**	**90**	**116,755**

** Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a 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 Council as allowed by statute and the replacement with current service costs and past service costs.*
- *For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CIES.*

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

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

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

Restated 2017/18* Revenues from External Customers	Interest Revenue	Interest Expense	**Segmental analysis of certain Items of Income and Expenditure shown net in the EFA**	**2018/19 Revenues from External Customers**	**Interest Revenue**	**Interest Expense**
£000	*£000*	*£000*		**£000**	**£000**	**£000**
(626)	-	-	Chief Executives	(435)	-	-
(1,319)	-	-	Governance	(894)	-	-
(57,277)	*(7)*	*37*	People & Communities	(51,076)	(6)	33
(18,041)	*(1,261)*	*16,158*	Resources	(12,739)	(1,985)	16,223
(22,297)	-	*390*	Growth & Regeneration	(23,709)	-	1,448
(157)	-	-	Public Health	(202)	-	-
(99,717)	*(1,268)*	*16,585*	**Total in Cost of Services**	**(89,055)**	**(1,991)**	**17,704**

** Restated to take account of changes in organisation structure during 208//19 in order to present figures on a like for like basis.*

*Restated 2017/18**	**Expenditure & Income Analysed by Nature**	**2018/19**
£000	**Expenditure**	**£000**
138,177	Employee Expenses	129,585
22,649	Employee Expenses (Voluntary Aided and Foundation Schools) [1]	14,643
375,583	Other Service Expenses	412,199
33,738	Depreciation, Amortisation & Impairment	29,450
16,585	Interest Payments	17,704
90	Loss in Fair Value of Investment Properties	-
1,213	Precepts & Levies	1,213
4	Payments to Housing Capital Receipts Pool	2
588,039	Total Expenditure	604,796
	Income	
(99,717)	Fees, Charges & Other Service Income	(89,055)
(14,726)	Capital Receipts	(9,661)
-	Gain in Fair Value of Investment Properties	(1,088)
(1,434)	Interest & Investment Income	(2,192)
(69,029)	Income from Council Tax	(74,599)
(44,193)	NDR Income	(45,454)
(302,515)	Government Grants & Other Contributions	(260,125)
(531,614)	Total Income	(482,174)
56,425	**Deficit / (Surplus) on the Provision of Services**	**122,622**

**Restated to show additional categories of income and expenditure.*

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

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 and repayment of loans and continues to be restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- Capital Grants Unapplied Account – holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Usable Reserves General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(27,048)	-	-	27,048
Revaluation losses on Property Plant and Equipment	(17,989)	-	-	17,989
Movements in the fair value of Investment Properties	1,088	-	-	(1,088)
Amortisation of intangible assets	(2,402)	-	-	2,402
Capital grants and contributions	38,000	-	-	(38,000)
Revenue expenditure funded from capital under statute	(20,502)	-	-	20,502
Impairment of Financial Asset (Loans)	(105)			105
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(83,740)			83,740
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	226	-	-	(226)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	789	-	(789)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	895	(895)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	8,441	(8,441)	-	-
Redemption of Financial Assets (Loans)	-	(8,200)	-	8,200
Use of the reserve to finance capital expenditure	-	8,200	-	(8,200)
Capital Receipts used for the repayment of loans	-	11,189	-	(11,189)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(10,413)	-	10,413
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	1,220	-	-	(1,220)
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.	(48)	-	-	48
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(29,051)	-	-	29,051
Employer's pensions contributions & direct payments to pensioners payable in the year	14,410	-	-	(14,410)
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	(611)	-	-	611
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(345)	-	-	345
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	914	-	-	(914)
Total Adjustments	**(116,755)**	**(7,663)**	**106**	**124,312**

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	*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:				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	*(31,049)*	*-*	*-*	*31,049*
Revaluation losses on Property Plant and Equipment	*(8,016)*	*-*	*-*	*8,016*
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*
<u>Insertion of items not debited or credited to the CIES:</u>				
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 involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	*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	*(58,502)*	*-*	*(6)*	*58,508*

- **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 2017 £000	*Movement £000*	*31 March 2018 £000*	**Summary of Usable and Unusable Reserves**	**1 April 2018 £000**	**Movement £000**	**31 March 2019 £000**
			Usable Reserves			
(6,000)	*-*	*(6,000)*	General Fund Balance	(6,000)	-	(6,000)
(5,406)	*(153)*	*(5,559)*	School's Balances	(5,559)	2,185	(3,374)
(32,975)	*(1,924)*	*(34,899)*	Specific Earmarked Reserves (Note 17)	(34,899)	3,682	(31,217)
-	*-*	*-*	Capital Receipts Reserve	-	(7,663)	(7,663)
(1,210)	*(6)*	*(1,216)*	Capital Grants Unapplied Account	(1,216)	106	(1,110)
(45,591)	*(2,083)*	*(47,674)*	**Total Usable Reserves**	**(47,674)**	**(1,690)**	**(49,364)**
			Unusable Reserves			
(144,206)	*(8,090)*	*(152,296)*	Revaluation Reserve	(152,296)	19,559	(132,737)
(13,558)	*40,215*	*26,657*	Capital Adjustment Account	26,657	75,258	101,915
(3,959)	*(6,461)*	*(10,420)*	Deferred Capital Receipts Reserve	(10,420)	9,193	(1,227)
340	*47*	*387*	Financial Instruments Adjustment Account	387	48	435
272,287	*(949)*	*271,338*	Pension Reserve	271,338	60,697	332,035
859	*(2,342)*	*(1,483)*	Collection Fund Adjustment Account	(1,483)	956	(527)
3,413	*(127)*	*3,286*	Accumulating Compensated Absences Adjustment Account	3,286	(914)	2,372
115,176	*22,293*	*137,469*	**Total Unusable Reserves**	**137,469**	**164,797**	**302,266**
69,585	*20,210*	*89,795*	**Total Usable and Unusable Reserves**	**89,795**	**163,107**	**252,902**

- **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).

2017/18 £000	**Revaluation Reserve:**	**2018/19 £000**
(144,206)	Balance at start of year	(152,296)
(29,652)	Upward revaluation of assets	(18,071)
5,932	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	12,500
2,794	Difference between fair value depreciation & historical cost depreciation	2,801
12,836	Release of revaluation gains on disposal	22,329
(152,296)	Balance at end of the year	**(132,737)**

- **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.

2017/18 £000	**Capital Adjustment Account:**	**2018/19 £000**
(13,558)	Balance at start of year	26,657
31,049	Charges for depreciation & Impairment	27,048
8,016	Revaluation (gains) / losses on Property, Plant & Equipment	17,989
90	Movement in fair market value of Investment Properties	(1,088)
2,689	Amortisation of Intangible Assets	2,402
(36,505)	Capital Grants & Contributions that have been applied to Capital Financing	(38,000)
(26)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(895)
23,392	Revenue Expenditure Funded from Capital under Statue (REFCUS)	20,502
39,840	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	83,740
-	Impairment of Empower Loan	105
-	Redemption of Financial Assets (Loans)	8,200
(1,083)	Transfer from Useable Capital Receipts	(8,200)
(7,180)	Use of Capital Receipts to Repay Loans	(11,189)
-	Revenue Provision for the Repayment of Loans	(226)
(4,437)	Use of Capital Contributions to Repay Loans	-
(2,794)	Depreciation & Impairment written down to Revaluation Reserve	(2,801)
(12,836)	Transfer of Revaluation Reserve on disposal	(22,329)
26,657	Balance at end of the year	**101,915**

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Deferred Capital Receipts Reserve

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

2017/18 £000	**Deferred Capital Receipts Reserve:**	**2018/19 £000**
(3,959)	Balance at start of year	(10,420)
(10,413)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(1,220)
3,952	Transfer to the Capital Receipts Reserve upon receipt of cash	10,413
(10,420)	Balance at end of the year	**(1,227)**

- **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.

2017/18 £000	**Financial Instruments Adjustment Account:**	**2018/19 £000**
340	Balance at start of year	387
47	Interest Paid on Short Term Loans	48
387	Balance at end of the year	**435**

- **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.

2017/18 £000	**Pensions Reserve:**	**2018/19 £000**
272,287	Balance at start of year	271,338
(12,495)	Actuarial gains / losses on pension assets & liabilities (Note 7)	46,056
26,580	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)	29,051
(15,034)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(14,410)
271,338	Balance at end of the Year	**332,035**

- **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 80.

2017/18 £000	Collection Fund Adjustment Account:	2018/19 £000
859	Balance at start of year	(1,483)
(668)	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	611
(1,674)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	345
(1,483)	Balance at end of the Year	**(527)**

- **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.

2017/18 £000	Accumulating Compensated Absences Adjustment Account:	2018/19 £000
3,413	Balance at start of year	3,286
(127)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(914)
3,286	Balance at end of the Year (Note 35)	**2,372**

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 2018 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2019 £000	Purpose of the Earmarked Reserve
Departmental Reserves	5,198	(787)	3,079	(600)	6,890	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,936	(50)	-	(1,488)	3,398	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	1,208	(855)	163	(33)	483	School revenue reserves put aside for funding future school capital schemes.
Future Cities	240	(240)	-	-	-	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Capacity Building	12,714	(4,597)	4,735	2,121	14,973	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	(64)	-	-	364	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	8,445	(4,231)	-	-	4,214	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	497	(127)	525	-	895	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	**34,899**	**(12,184)**	**8,502**	**-**	**31,217**	

18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2018/19	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 2018 Gross Book Value	**420,680**	**40,286**	**283,821**	**901**	**688**	**1,135**	**14,865**	**762,376**
Additions	27,723	2,899	25,240	4	-	-	17,957	**73,823**
Revaluation increase / (decrease) recognised in the Revaluation Reserve	1,941	-	-	-	(5)	-	-	**1,936**
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(18,206)	-	-	-		-	-	**(18,206)**
Derecognition - Disposals	(90,599)	(6,353)	-	-	-	-	(5)	**(96,957)**
Reclassified Assets	(3,433)	-	-	-	-	-	(77)	**(3,510)**
Assets Under Construction Completed In Year	23,566	5,486	385	1	-	-	(30,682)	**(1,244)**
At 31 March 2019	**361,672**	**42,318**	**309,446**	**906**	**683**	**1,135**	**2,058**	**718,218**
Accumulated Depreciation and Impairment								
At 01 April 2018	**(18,900)**	**(20,491)**	**(119,366)**	**-**	**-**	**(104)**	**-**	**(158,861)**
Depreciation Charge	(8,611)	(4,736)	(12,420)	-	-	-	-	**(25,767)**
Depreciation written out to the Revaluation Reserve	3,056	-	-	-	-	-	-	**3,056**
Depreciation written out to the (Surplus) / Deficit on Provision of Services	233	-	-	-	-	-	-	**233**
Impairment (losses) /reversals recognised in the Revaluation Reserve	(119)		-	-	-	-	-	**(119)**
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(1,276)	-	-	(5)	-	-	-	**(1,281)**
Depreciation Movement on Transfers	-	-	-	-	-	-	-	**-**
Derecognition - Disposals	8,087	5,234	-	-	-	-	-	13,321
Assets Reclassified	141	-	-	-	-	-	-	141
At 31 March 2019	**(17,389)**	**(19,993)**	**(131,786)**	**(5)**	**-**	**(104)**	**-**	**(169,277)**
Net Book Value - At 31 March 2019	**344,283**	**22,325**	**177,660**	**901**	**683**	**1,031**	**2,058**	**548,941**
Net Book Value - At 31 March 2018	*401,780*	*19,795*	*164,455*	*901*	*688*	*1,031*	*14,865*	*603,515*

Comparative Movements in 2017/18

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	*2,877*	*-*	*-*	*-*	*-*	*(1)*	*-*	*2,876*
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	*(9,185)*	*-*	*-*	*-*	*-*	*-*	*-*	*(9,185)*
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	*420,680*	*40,286*	*283,821*	*965*	*688*	*1,135*	*14,865*	*762,440*
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	*12,289*	*-*	*-*	*-*	*-*	*-*	*-*	*12,289*
Depreciation written out to the (Surplus) / Deficit on Provision of Services	*1,169*	*-*	*-*	*-*	*-*	*-*	*-*	*1,169*
Impairment (losses) /reversals recognised in the Revaluation Reserve	*8,475*	*-*	*-*	*-*	*-*	*-*	*-*	*8,475*
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	*(18,900)*	*(20,491)*	*(119,366)*	*(64)*	*-*	*(104)*	*0*	*(158,925)*
Net Book Value - At 31 March 2018	*401,780*	*19,795*	*164,455*	*901*	*688*	*1,031*	*14,865*	*603,515*
Net Book Value - At 31 March 2017	*419,589*	*20,956*	*155,198*	*901*	*688*	*2,269*	*8,337*	*607,938*

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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:

2017/18 £000	**Investment Properties**	**2018/19 £000**
30,413	Balance at start of year	21,797
159	Acquisition	-
283	Subsequent Expenditure (Note 25)	27
32	Assets Under Construction Completed in Year	7
(9,261)	Disposals	-
(90)	Revaluations (Note 10)	1,088
261	To / (from) Property, Plant and Equipment	2,757
21,797	**Balance at end of the Year**	**25,676**

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

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

31 March 2018	**Intangible Assets**	**Remaining Amortisation Period**	**31 March 2019**
£000		**Years**	**£000**
1,084	Energy Performance Contract	3	723
-	Broadband Infrastructure	3	507
1,372	Educate Software	2	932
1,981	Lot 1 Viridor Contract	27	1,907
-	Sand Martin House ICT	3	862
4,437	**Total**		**4,069**

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 2018	**Intangible Assets**	**31 March 2019**
£000	Balance at 1 April:	**£000**
23,142	Gross Carrying Amounts	20,319
(13,001)	Accumulated Amortisation	(11,341)
10,141	**Net Carrying Amount at Start of the Year**	**8,978**
	Additions	
1,810	Purchases (Note 25)	1,351
2,593	Assets Under Construction Completed in Year	1,238
(2,666)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	-
(2,689)	Amortisation for the period	(2,402)
	Disposals	
(4,560)	De-recognition - Disposals	(326)
4,349	De-recognition - Disposals (Accumulated Amortisation)	305
-	Other Changes – Gross Carrying Amount	-
-	Other Changes - Amortisation	-
8,978	**Net Carrying Amount at the End of Year**	**9,144**
20,319	Gross Carrying Amounts	22,581
(11,341)	Accumulated Amortisation	(13,437)
8,978	**Net Carrying Amount at the End of Year**	**9,144**

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.

2017/18 £000	**Assets Held for Sale - Current Assets**	**2018/19 £000**
-	Balance at 1 April:	80
80	Revaluation Gains	698
-	Revaluation Losses	(16)
-	Property, Plant and Equipment Classified as Held for Sale	535
-	Assets Sold	(84)
	Other movements:	
-	Additions (Note 25)	4
80	**Balance at end of the Year**	**1,217**

22 Capital Commitments

As at 31 March 2019 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 £23.7m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract / Capital Scheme	Value of contract	Value outstanding at 31/3/19
	£000	£000
Paston Reserve Primary	340	266
Oakdale Primary 1 Form Entry Expansion	3,779	690
Woodston Expansion	3,263	1,859
Jack Hunt Expansion	4,175	2,872
Thorpe Lea Meadows	363	363
Can- Do Park & Open Spaces	192	192
North Town Hall Works	109	109
Nene Bridge Bearings	4,177	1,432
Junction 18 Build	2,625	2,202
Street Lighting LED Project	4,037	1,610
Surface Treatments	271	271
Longthorpe Fibre Works	216	216
Whittlesey Road Access Phase 2	122	103
Total	**23,669**	**12,185**

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 2018/19 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 Council revalued £161m of Land and Buildings in 2018/19 and £180.4m in 2017/18 which is approximately 70% of the Council overall Gross Book value of the assets held in Land and Buildings.

The following table shows the movement on the Revaluation Reserve over the last five years split over the three asset types which may be revalued during the 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 2019	(18,775)	(5)	(779)	*(19,559)*
31 March 2018	*8,015*	*(4)*	*79*	*8,090*
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	131,159	2	1,576	**132,737**

* *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 2018/19 2.3m (2017/18 £5.1m) 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.

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.

2017/18 £000		2018/19 £000
509,771	**Opening Capital Financing Requirement**	**540,082**
29,234	Property, Plant and Equipment (Note 18)	55,866
13,166	Assets Under Construction (AUC) (Note 18)	17,957
442	Investment Properties (Note 19)	27
1,810	Intangible Assets (Note 20)	1,351
23,392	Revenue Expenditure Funded from Capital under Statute (REFCUS)	20,502
-	Assets Held for Sale	4
(100)	Correction of REFCUS funded in 2016/17 as AUC	-
12,309	Loans to Third Parties	148
(711)	Abortive costs of Renewable Energy Projects	-
	Sources of Finance	
(36,531)	Capital Grants & Contributions	(38,895)
-	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(226)
(7,180)	Repayment of Loan debt from Capital Receipts	(11,189)
(4,437)	Repayment of Loan debt from Capital Contribution	-
(1,083)	Capital Receipts – repayment of Loan	(8,200)
540,082	**Closing Capital Financing Requirement**	**577,427**
	Explanation of movements in year	
42,639	Increase in underlying need to borrow:	35,169
-	Assets acquired under finance leases	13,591
(711)	Abortive costs of Renewable Energy Projects	-
	Decrease in underlying need to borrow:	
-	MRP	(226)
(7,180)	Capital Receipts used to repay MRP	(11,189)
(4,437)	POIS Used to Repay MRP	-
30,311	**Increase in Capital Financing Requirement**	**37,345**

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

2017/18 £000	Repayment of Loans Funded by:	2018/19 £000
-	Revenue Provision	226
7,180	Capital Receipts	11,189
4,437	Capital Contribution	-
661	Previous Years Overprovision	3,176
12,278	Total Repayment of Loans	14,591

** 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 2018/19 this expenditure is £20.5m compared with £23.4m in 2017/18. £11.2m of this REFCUS expenditure relates to Academies (which include the 18 schools that have transferred to Academies since the transfer programme began) 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'.

2017/18 £000	Reconciliation of Grant Funding Applied to Capital Financing	2018/19 £000
24,553	Grants Received in year (Note 12)	21,647
(4,437)	POIS used to fund MRP	-
(32)	Grants Received in year not applied in year	(789)
26	Grants Applied from Capital Grants Unapplied Account	895
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
16,421	In Year	17,142
36,531	**Total Grants & Contributions applied**	**38,895**

2017/18 £000	Body of Grant Funding Applied	2018/19 £000
1,831	Department for Communities & Local Government	1,865
7,094	Department for Transport	2,586
19,294	Department of Education	18,242
129	Department of Health	52
378	Arts Council	63
-	Cambridgeshire & Peterborough Combined Authority	6,570
3,396	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	-
32,122	**Total Grants Applied**	**29,379**
2,744	Section 106 Contributions	7,670
1,665	Third Party Contributions	1,846
4,409	**Total Contributions applied**	**9,516**
36,531	**Total Grants & Contributions applied**	**38,895**

26 Private Finance Initiatives (PFI) and Similar Contracts

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

Queen Katherine Academy and Jack Hunt have transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the remaining school which is recognised on the Council's Balance Sheet is £14.8m (2017/18 £15.9m).

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 2019 (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 2019/20	923	2,070	5,390	**8,383**
Within two to five years	3,887	7,306	23,281	**34,474**
Within six to ten years	7,508	8,180	29,691	**45,380**
Within 11 to 15 years	10,545	5,624	32,062	**48,231**
Within 16 to 19 years	7,923	451	26,243	**34,616**
Total	**30,786**	**23,631**	**116,667**	**171,084**

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 2018		**31 March 2019**
£000		**£000**
(32,889)	Balance brought forward	(31,775)
1,114	Lease liability redemption in the year	989
(31,775)	**Value of Total Liability carried forward**	**(30,786)**
(989)	Short Term Liability	(923)
(30,786)	Long Term Liability	(29,863)
(31,775)	**Value of Total Liability carried forward**	**(30,786)**

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 2018		**31 March 2019**
£000	**Council as Lessee - Finance Leases**	**£000**
2,303	Other Land & Buildings	15,435
971	Vehicles, Plant Furniture & Equipment	183
3,274	**Total**	**15,618**

The Council has 2 long finance leases on Investment Properties, 18 Academy finances leases and has also entered into a new finance lease for Council Offices and Car Park for 25 years during 2018/19. The Council has also terminated a lease with Enterprise for Refuse Collection Vehicles.

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 2018		**31 March 2019**
£000	**Finance Lease Liabilities (net present value of minimum lease payments)**	**£000**
417	Current	293
2,924	Non-current	15,728
19,176	Finance costs payable in future years*	43,902
22,517	**Minimum lease payments**	**59,923**

** Non-Peppercorn leases range from one to 103 years*

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

31 March 2018			**31 March 2019**	
Min. Lease Payment	*Finance Lease Liabilities*	**Minimum lease payments**	**Min. Lease Payment**	**Finance Lease Liabilities**
£000	*£000*		**£000**	**£000**
737	*417*	Not later than one year	2,035	293
1,566	*404*	Later than one year & not later than five years	7,549	775
20,214	*2,520*	Later than five years *	50,339	14,953
22,517	*3,341*	**Total**	**59,923**	**16,021**

** Non-Peppercorn leases range from one to 103 years*

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2019 the minimum payments expected to be received under these sub-leases was £308k (£318k in 2017/18).

Council as Lessee - Operating Leases

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

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

31 March 2018 £000	Council as Lessee - Operating Leases	31 March 2019 £000
998	Not later than one year	1,568
3,721	Later than one year & not later than five years	5,897
6,812	Later than five years	15,662
11,531	**Total**	**23,127**

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 2018 £000	Council as Lessee - Operating Leases	31 March 2019 £000
1,046	Minimum lease payments	1,525
-	Contingent rents	-
(189)	Sublease payment receivable	(68)
857	**Total**	**1,457**

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 2018 £000	Council as Lessor - Operating Leases	31 March 2019 £000
3,505	Not later than one year	2,787
9,617	Later than one year & not later than five years	8,675
50,902	Later than five years*	43,887
64,024	**Total**	**55,349**

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

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

28 Financial Instruments

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

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

Restated 2017/18* £000	Financial Assets	2018/19 £000
(1,268)	Interest Income	(1,991)
(166)	Other Investment Income	(201)
(1,434)	**Total for Financial Assets (Note 10)**	**(2,192)**
	Financial Liabilities	
2,380	Interest Payable Relating to PFI	2,211
14,205	Interest Payable on Borrowings	15,493
16,585	**Total for Financial Liabilities (Note 10)**	**17,704**
15,151	**Net expenditure for the year**	**15,512**

** Restated to include Other Investment Income*

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

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

The Council only has Assets and Liabilities held at Amortised cost on the Balance Sheet.

2018 Long Term £000	2018 Current £000	Financial Instruments Balances	2019 Long Term £000	2019 Current £000
		Assets at Amortised Cost:		
-	25	Investments	-	17
-	1,000	Debtors – Local Authority Mortgage Scheme	-	-
-	23,150	Debtors – ECS Peterborough 1 LLP	-	23,046
7,200	-	Debtors - Axiom	-	-
587	17,451	Debtors - Loans and receivables	1,372	24,864
7,787	**41,626**		**1,372**	**47,927**
		Liabilities at Amortised Cost:		
(380,087)	(39,442)	Borrowings - Financial liabilities at amortised cost	(392,087)	(65,500)
-	(3,632)	Accrued Interest associated with Borrowing	-	(3,562)
(136)		Long term Creditors	(129)	
(33,711)	-	Long term PFI & finance lease liabilities	(45,591)	-
-	(3,881)	Creditor - Financial liabilities at amortised cost	-	(4,920)
(413,934)	**(46,955)**		**(437,807)**	**(73,982)**

Note: Accrued interest is not required for instruments measured at Equivalent Interest Rate 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 2019 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 Amortised Cost value includes trade debtors. The Fair Values calculated are as follows:

2017/18		Financial Liabilities	**2018/19**	
Carrying Amount £000	*Fair Value £000*		**Carrying Amount £000**	**Fair Value £000**
(329,587)	*(416,961)*	PWLB debt	(369,587)	(467,365)
(50,500)	*(50,496)*	Non-PWLB debt	(22,500)	(22,552)
(39,442)	*(46,800)*	Short term borrowing *	(65,500)	(73,368)
(3,632)	*(3,632)*	Accrued Interest associated with Borrowing	(3,562)	(3,562)
(2,555)	*(2,555)*	Short term creditors	(3,704)	(3,704)
(1,406)	*(1,406)*	Short term finance lease liability	(1,216)	(1,216)
(136)	*(136)*	Long term creditors	(129)	(129)
(33,711)	*(48,369)*	Long term PFI & finance lease liabilities	(45,591)	(59,413)
(460,969)	*(570,355)*	**Total**	**(511,789)**	**(631,309)**

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

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

The fair value of Public Works Loan Board (PWLB) loans of £467.4 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.

2017/18			**2018/19**	
Carrying Amount £000	*Fair Value £000*	**Financial Assets**	**Carrying Amount £000**	**Fair Value £000**
25	*25*	Short Term Investments	17	17
1,000	*1,000*	Local Authority Mortgage Scheme - Short Term	-	-
23,150	*23,150*	ECS Peterborough 1 LLP Loan	23,046	23,046
7,200	*7,200*	AXIOM Loan	-	-
8,756	*8,756*	Total Cash and Cash Equivalent	15,268	15,268
8,695	*8,695*	Trade Debtors	9,596	9,596
587	*587*	Other Long Term Loans & Receivables	1,372	1,372
49,413	*49,413*	**Total**	**49,299**	**49,299**

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 2019 all advances have been returned to the Council but an indemnity of £0.5m remains until July 2023 or until the individual mortgage advances have been repaid.

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.

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 2018/19 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.

The Council had a total of £15.0m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2019. 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 2019. 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 2019 are £1.7m for KSF and £1.0m for HB (2017/18 £1.7m, £1.0m). Further dividends are expected in 2019/20.

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

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. The Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts.

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

2017/18 £000	**Age of Trade Debt**	**2018/19 £000**
4,444	Less than three months	5,754
552	Three to six months	656
692	Six months to one year	725
3,007	More than one year	2,461
8,695	**Total**	**9,596**

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:

Restated 2017/18 £000*	**Maturity analysis of financial liabilities**	**2018/19 £000**
(55,537)	Less than one year *	(73,983)
(26,327)	Between one and two years	(18,700)
(32,515)	Between two and five years	(26,360)
(346,593)	Between five and fifty years	(392,747)
(460,972)	**Total**	**(511,790)**

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

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

Market risk

Interest rate risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 28 by £87.0m, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

The Council 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

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

31 March 2018 £000	**Inventories**	**31 March 2019 £000**
330	Westcombe Industries Stock	374
106	Other Stock Balances	82
436	**Total**	**456**

32 Debtors

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

31 March 2018 £000	**Debtors** (Each item is net of impairment)	**31 March 2019 £000**
3,145	Central Government Departments	3,544
2,186	Cross Keys Homes	1,630
9,586	Cambridgeshire & Peterborough CCG	11,034
7,834	Council Tax Arrears	8,047
1,943	NNDR Arrears	2,080
6,896	Payments in Advance	6,186
626	Section 106 Debtors	1,673
27,169	General Debtors	19,459
59,385		53,653
	Outstanding Balances on Loans Granted	
23,150	ECS Peterborough 1 LLP (Notes 14, 25)	23,046
1,000	Local Authority Mortgage Scheme Loan	-
83,535	**Total Debtors**	**76,699**

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 £128k as at 31 March 2019 (31 March 2018 £285k).

It is expected that the full balance will be surrendered by 31 October 2019 and a further £37k of allowances will be purchased to meet the Council's reported CO_2 emissions for 2018/19 in accordance with the requirements of the CRC Scheme. The Council has estimated its liability under the scheme to be £165k (2017/18 estimated at 31 March 2018 £166k, actual £156k) and has included a provision in the accounts for this, see Note 34.

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34 Provisions

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

Provision Description	31 March 2018	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2019
	£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.	(740)	(108)	269	-	(284)	(863)
Charges from suppliers which are uncertain or in dispute - these represent charges from suppliers that are of an uncertain amount and timing	(267)	-	267	-	-	-
Carbon Reduction Commitment Scheme (CRC) - the obligation of the Council for the purchase of CRC allowances for 2018/19	(166)	(165)	156	10	-	(165)
Climate Change Levy (CCL) - estimated liability for 2017/18 and 2018/19	-	(634)				(634)
Non Domestic Rate Appeals Provision – see Collection Fund for further details	(5,525)	(2,201)	300	-	-	(7,426)
Total Short Term Provisions	**(6,698)**	**(3,108)**	**992**	**10**	**(284)**	**(9,088)**
Long Term Provisions						
Insurance Claims – see above comments	(142)	(317)	-	-	284	(175)
Total Short and Long Term Provisions	**(6,840)**	**(3,425)**	**992**	**10**	**-**	**(9,263)**

35 Creditors

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

31 March 2018 *£000*	**Creditors**	**31 March 2019** **£000**
(961)	Council Tax Overpaid	(1,062)
(1,037)	Council Tax Prepaid	(1,005)
(3,234)	NDR Overpaid	(2,610)
(949)	NDR Prepaid	(1,159)
(5,701)	NDR Preceptors	(6,981)
(13,132)	Deposits / Receipts in Advance	(8,769)
(3,286)	Accrual Accumulated Absences (Note 16)	(2,372)
(1,406)	Short Term Finance Lease Liabilities (Notes 0,27)	(1,216)
(39,291)	General Creditors	(38,583)
(68,997)	**Total Creditors**	**(63,757)**

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:

*Restated 31 March 2018** *£000*	**Capital Grants Receipts in Advance**	**31 March 2019** **£000**
(1,653)	Department of Education	(2,739)
(763)	Department for Transport	(8)
	Cambridgeshire & Peterborough Authority	(1,464)
(626)	Homes and Communities Agency (HCA)*	(545)
	Disabled Facilities Grant	(509)
(820)	Other Third Party Contributions*	(478)
(34)	Department of Health	-
(16,910)	Section 106 Contributions	(14,153)
(20,806)	**Total Capital Grants Receipts in**	**(19,896)**

** Restated as prior year figures did not total correctly due to rounding.*

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 *£000*	**Cash Flow Statement – Operating Activities**	**2018/19** **£000**
(727)	Interest Received	(646)
19,628	Interest Paid	17,933

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2017/18 £000	Cash Flow Statement – Investing Activities	2018/19 £000
58,853	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	59,739
24,248	Other Payments for Investing Activities	20,292
(4,422)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(17,458)
(5)	Proceeds from Short-Term Investments	(5)
78,674	**Net cash flows from investing activities**	**62,568**

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2017/18 £000	Cash Flow Statement – Financing Activities	2018/19 £000
(24,215)	Cash Receipts of Short & Long Term Borrowing	(60,000)
1,639	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	23,891
(7,614)	Other Payments for Financing Activities	(3,031)
(30,190)	**Net cash flows from financing activities**	**(39,140)**

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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.

2017/18 £000	Cash Flow Statement – Cash and Cash Equivalents	2018/19 £000
8,000	Short Term Cash Investments	15,000
48	Petty Cash & Imprest	44
708	Bank Current Accounts	224
8,756	**Total Cash & Cash Equivalents**	**15,268**

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 2019 was £16,674 (£16,940 at 31 March 2018). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £17,589 at 31 March 2019 (£19,256 at 31 March 2018) 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 225 adults and older people (204 at 31 March 2018). The total Client funds at 31 March 2019 was £2.5m (£2.0m at 31 March 2018).

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 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;
- Following a High Court Case the Local Government Pension Scheme (LGPS) is expecting to face additional liabilities relating to compensating members for differences attributable to Guaranteed Minimum Pensions – the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). The amount of the liability related to the Council's pension fund members is yet to be determined and some of this may be funded by Central Government rather than the pension fund. The pension fund actuary estimates that the increase in pension liabilities for a typical LGPS is no more than 0.5% which would equate to £4.1m;

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

The standards which have been introduced by the 2019/20 Code and will be effective from 1 April 2019 are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies the guidance on accounting for transfers to and from Investment Property. This will not have an impact on the Council's financial statements;
- Annual Improvements to IFRS Standards is a process to deal efficiently with a collection of narrow scope amendments to IFRSs and focus on areas of inconsistency in IFRSs or where clarification of wording is required. The amendments are clarifying or correcting in nature, and do not propose new principles or changes to existing ones. Annual Improvements to IFRSs 2014 - 2016 Cycle will be effective from 1 April 2019. The issues included in these cycles will not have a material impact on the Council's financial statements;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the accounting for transactions in foreign currency that include the receipt or payment of advance consideration in a foreign currency. This will not have an impact on the Council's financial statements as the Council does not have material transactions of this nature;
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting treatment of Income Tax where uncertainty exists. 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 income tax liabilities;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation introduces minor changes to IFRS 9 to allow classification of some debt instruments where a borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed at amortised cost instead of fair value through profit and loss. As the Council does not have any such instruments, there will be no impact on the Council's financial statements.

44 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 82, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own ‘free schools’. Within the Peterborough area some schools have Academy status, with a further twelve schools transferring status during 2018/19. 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 table overleaf for analysis of the type of schools in Peterborough and its surrounding area;

Type and number of Schools	Community	Controlled	Aided	Academies	Total
Nursery	1	-	-	-	**1**
Primary Schools	16	4	7	30	**57**
Secondary Schools	1	-	1	9	**11**
All through Schools	-	-	-	3	**3**
Special Schools	4	-	-	1	**5**
Total	**22**	**4**	**8**	**43**	**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 2019. 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 58;
- 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 56;
- 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 Notes0 and 27, pages 61 and 61;

- The Council has ten arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 13. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS Peterborough Ltd and Peterborough Limited (trading as Aragon Direct Services) 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 2019 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 £212k for every year that useful life is reduced, which equates to a 3.6% increase in this year's depreciation charge.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £467k, which is 0.08% of the Council's total asset base. 7% of the Council's 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 11% or £87m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £10m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £76m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2019 the Council had a balance of £21.7m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 12% or £2.6m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £265k would be required. If 10% of the debt portfolio was one year older, additional impairment of £296k 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	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 £343k. This equates to a 11% increase in the estimated provision held in the Council's Balance Sheet. If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £1,079k. This equates to a 25% increase in the estimated provision held in the Council's Balance Sheet.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	is not available for appeals against rates valuations from the 2017 list which applies to rates bills from 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.	

46 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued no later than 31 July 2019.

The Collection Fund and Notes

31 March 2018 £000	Collection Fund Statement	Notes	31 March 2019 Business Rates £000	Council Tax £000	Total £000
	Income				
(84,430)	Council Tax Receivable		-	(91,054)	(91,054)
(97,877)	Business Rates Receivable	3	(100,812)	-	(100,812)
	Contribution to Previous Year's Deficit:				
(1,158)	Peterborough City Council	4	286	-	286
(24)	Cambridgeshire & Peterborough Fire Authority		6	-	6
(1,182)	Central Government		292	-	292
(184,671)	Total Income		(100,228)	(91,054)	(191,282)
	Expenditure				
	Precepts:				
68,188	Peterborough City Council	4	-	74,023	74,023
3,665	Cambridgeshire & Peterborough Fire Authority		-	3,868	3,868
10,249	Cambridgeshire Police Authority		-	11,180	11,180
82,102	Total Precepts		-	89,071	89,071
	Business Rates Share:				
43,454	Peterborough City Council	4	45,129	-	45,129
887	Cambridgeshire & Peterborough Fire Authority		921	-	921
44,341	Central Government		46,050	-	46,050
88,682	Total Business Rates Shares		92,100	-	92,100
	Charges to Collection Fund:				
1,695	Increase / (Decrease) in Bad Debt Provision		1,007	1,286	2,293
1,914	Increase / (Decrease) in Provision for Appeals		3,879	-	3,879
268	Cost of Collection		270	-	270
5,388	Transitional Payment Protection		3,242	-	3,242
326	Renewable Energy Disregard	4	336	-	336
9,591	Total Charges to Collection Fund		8,734	1,286	10,020
	Contribution to Previous Year's Estimated Surplus:				
173	Peterborough City Council	4	-	1,188	1,188
10	Cambridgeshire & Peterborough Fire Authority		-	64	64
27	Cambridgeshire Police Authority		-	179	179
210	Total Contribution to Previous Year's Estimated Surplus		-	1,431	1,431
(4,086)	**(Surplus) / Deficit Arising During the Year**		**606**	**734**	**1,340**
	Collection Fund Balance				
1,960	(Surplus) / Deficit Brought Forward 1 April		(973)	(1,153)	(2,126)
(4,086)	(Surplus) / Deficit Arising During the Year		606	734	1,340
(2,126)	**(Surplus) / Deficit Carried Forward 31 March**		**(367)**	**(419)**	**(786)**
	Allocated to:				
(1,436)	Peterborough City Council		(180)	(347)	(527)
(61)	Cambridgeshire & Peterborough Fire Authority		(4)	(18)	(22)
(143)	Cambridgeshire Police Authority		-	(54)	(54)
(486)	Central Government		(183)	-	(183)
(2,126)	**Total**		**(367)**	**(419)**	**(786)**

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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	34,744	23,163
B	7/9	20,866	16,229
C	8/9	13,997	12,442
D	9/9	7,903	7,903
E	11/9	4,411	5,391
F	13/9	1,918	2,770
G	15/9	947	1,578
H	18/9	70	140
Total		84,856	69,616

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 56,259 (54,879 for 2017/18).

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 2018/19 the total non-domestic rateable value at the year-end is £236.9m (£234.8m in 2017/18). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses, with the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

4 Council Precept

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

2017/18 *£000*	Council Precept	NDR £000	Council Tax £000	2018/19 Total £000
(111,642)	Precept / Share	(45,129)	(74,023)	(119,152)
(279)	Estimated Renewable Energy Disregard (RED)	(336)	-	(336)
(47)	Difference between actual & estimated RED	-	-	-
38	Adjustment to prior year additional growth pilot income.	-	-	-
985	Share of Prior Year Estimated Deficit / (Surplus)	(286)	(1,188)	(1,474)
(841)	Reverse actual share prior year Deficit / (Surplus)	477	959	1,436
(1,436)	Share of Deficit / (Surplus)	(180)	(347)	(527)
(113,222)	**Total (Note 12)**	(45,454)	(74,599)	**(120,053)**

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. 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 2018/19, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

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

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

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

Changes in accounting policies are only made:

- when required by proper accounting practices

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

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

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

Council Tax and Business Rates

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

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

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

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

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

Accounting for Council Tax and Business Rates

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

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

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

Termination Benefits

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

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

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

Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

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

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

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

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

- quoted securities – current bid price

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

The net 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

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

Events after the Balance Sheet Date

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006

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

Government Grants and Contributions

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

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

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

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

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

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

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

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

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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.

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 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.

<u>Impairment</u>

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

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

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

<u>Disposal and Decommissioning</u>

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

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

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

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

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

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

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

Depreciation

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

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

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

Basis of depreciation

Depreciation is calculated on the following bases:

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

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(Draft) Annual Governance Statement – 2018/19

(Draft) Annual Governance Statement

The Annual Governance Statement will be discussed and approved by Audit Committee on 15 July 2019. 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 the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

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

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (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 the Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2019-2022 was endorsed by Cabinet in February 2019 for consultation and final approval in July 2019. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

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

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

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first year of operation it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure.
- Confidential concerns can be raised through the Council's 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, governed by the Member Officer Protocol in the council's constitution, are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.

- The Acting Corporate Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work in line with the Public Sector Internal Audit Standards. In 2018/19 the service was externally reviewed externally to ensure it demonstrated compliance with the 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 Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives (An updated Corporate Strategy was published in February 2019 for consultation and approval in July 2019).
- 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 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 final budget (Tranche 3) took place at Full Council on 6 March 2019. The Council Tax increase for the year was 3%, the maximum allowed by regulations. Tranches 1 and 2 of the budget were considered by Council in July and December 2018 respectively.

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

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including 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 2019 / 2020 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings and key decisions are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council, in order to discharge its functions on Health, 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

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- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held at all levels.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- A new Cabinet Shareholder Committee has been approved in 2018/19 to give oversight and scrutiny of entities the Council has an interest in.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

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

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members are inducted prior to the Annual Meeting.
- 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 2018 / 2019, 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. It should be noted, as per table 2, that one of the new issues to be addressed is a full review of existing governance processes. This is required in particular as more services are delivered with Cambridgeshire County Council to ensure both Council's Governance requirements and present best practice is taken into account.

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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 2018 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2017/18 closure process 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 previously reported 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**
17.01	**INNOVATION AND GOVERNANCE** Lead: Director of Law and 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.	A cross-department Officer Agile Working Group meets to ensure that all parts of the Council embrace the move to Agile and new ways of working. This has been especially important during 2018/19 on the move to Sand Martin House in July 2018. During the year arrangements have been put in place to strengthen the Programme Management Office to oversee change programmes and the implementation of Council savings and efficiency initiatives. A weekly meeting takes place to review progress. Since January, this has been a cross departmental meeting. Protocols have been agreed for joint work with Cambridgeshire County Council (CCC) and these were agreed by Cabinet in September 2018.

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.04	**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 the 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. There is an ongoing Schools cause and concern working group under the Service Director Education which will look into these issues.
17.06	**WORKFORCE PLANNING** Lead: Director of Law and 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 (PCC) and CCC has been developed and implemented. The joint protocol approved by Cabinet in September 2018 sets out how these interactions should work. Other services are also delivered with other Councils via individual agreements. 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 and continues to be reviewed & developed in light of the exploration of wider shared service arrangements with CCC.

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.07	**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. **Proposa**l: 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.	See responses to 17.01 and 17.06 above. In addition, for the move to Sand Martin House the Council implemented a Senior Officer working group to ensure delivery - which was achieved on target.
17.08	**INFORMATION** Lead: Director of Law and 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.	Council staff have been and continue to be provided with training. Any non-completers have had their director made aware of non completion. The council continue to review its systems, the data captured and their capabilities to meet the rights as detailed in the regulation, which has highlighted issues to address. The council has completed the work on the Information Asset Register and Record of Processing Activity. The council has undertaken a review of its retention schedules and will be working further this year to bring this together with CCC. The council continue to review contracts to ensure compliance with legislation and examine ways in which it can improve supplier compliance. The council have a process agreed to ensure compliance issues are highlighted at procurement stage including the DPIA screening checklist and we have had a workshop with Procurement and Legal to understand the cause of issues. PCC will be delivering a training session with Procurement and Legal to commissioners to help the process be smoother from the start.

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
			PCC have delivered data protection training to Members The council continues to review privacy notices and statements with services as changes arise, CCC also has a few privacy notices in development.
17.09	**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. PCC and Cambridgeshire County Council are working together on cyber security. A joint bid was put together for funding from the LGA which was successful. This funding has been used to purchase cyber security training videos for staff and members which has been well received. We have funding to undertake gap analysis of systems and develop a project plan to address those areas of weakness. Work has begun on cyber incident response plans, business continuity and disaster recovery with IT partners. This is an ongoing project tying into the move to Microsoft 365 which will take place in late 2019. **Routine items undertaken in 2018/19:** Firewall maintaining at latest released; Antivirus deployments maintained at latest release; Monthly patching regime enforced; Continued vigilance of potential threats via reports from the NCSC. **Specific items delivered in 2018/19** Removal of W2003 servers and XP desktops and laptops from the estate; Removal of W2008 servers from estate is underway.

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	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
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 the Audit Committee in March 2018. As with last year, limited frauds have been identified in 2018/19. The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.
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 consistency of approach. It is anticipated that actions will not have been completed until early summer.

Table 2: 2017 / 2018 Progress on Previous Actions			
	Area of Assurance	**Gap**	**Proposal to Mitigate**
18.01	**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.	Budget Monitoring is key to underpinning the decision making processes at the council. Budget monitoring is reported to: • Officers at Corporate Management Team on a monthly basis • Members - to each Cabinet meeting (with the most up to date information). In addition, a half yearly review of Treasury Management activity is reported to the Audit Committee. Budgeting at PCC is now linked to a quarterly cycle which was implemented in 2018/19.. This has given the Council the ability for earlier delivery of budget initiatives. The following tranches were delivered in 2018/19: • Tranche 1- July 2018 • Tranche 2 – December 2018 • Tranche 3 – March 2019 Budgets are 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.
18.02	**COUNCIL GOVERNANCE** Leads:	Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes.	An overarching review of governance arrangements is being undertaken. Progress through 2018/19 includes:

	• Chief Executive;	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.	• The approval of a joint protocol with CCC by Cabinet in September 2018 for shared services work. • The approval by Cabinet in December 2018 of a Shareholders Committee to give oversight of all council companies and joint ventures.
	Area of Assurance	**Gap**	**Proposal to Mitigate**
	• Director of Law and Governance; • Acting Director of Corporate Resources	which could be used if a decision has already been made to reject.	• The approval of a new Senior Officer structures to take account of joint work that is taking place with CCC. Work now continues to embed these changes
18.03	**PROCUREMENT AND PROJECTS** Lead: Acting Director of Corporate Resources	Linked with 18.02 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.	See the response to items 17.01 and 17.06 which sets out the approach to projects now being followed at the Council. This also links into items 18.01 and 18.02 above which set out the financial monitoring regime through which issues are escalated to the appropriate levels within the Council. A review is presently taking place of the correct approach for procurement/commissioning as presently this is devolved to departments for delivery.
18.04	**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.	See response to 17.10 above Corporate Fraud policies have been updated and reported to the Audit Committee in March 2018. The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.

			The Council will continue to take part in the National Fraud Initiative which started again in 2018/19. Appropriate training and raising awareness will continue to be delivered to officers, Members and our key partners. A detailed Action Plan for 2019/20 will be produced and reported through CMT and Audit Committee.
	Area of Assurance	**Gap**	**Proposal to Mitigate**
18.05	**IT GOVERNANCE** Lead: Director of Law and Governance	Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline	Please see responses above to items: 17.01 - which sets out project reporting (including ICT) 17.08 - Information requirements (including GDPR) 17.09 - Cyber Security In addition, the position has been reported both to CMT and the Joint Management Team with CCC.
18.06	**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.	On Move to Sand Martin House a full “Black Box” test of ICT systems was undertaken in early 2019 which was successfully completed. The Resilience Team continues to work with services from across the council to support them to transfer their previous Business Impact Assessments (BIA), and Business Continuity Risk Assessments (RA), onto a new set of templates, before moving on to support them to complete a service level Business Continuity Plan. The team visited all departments following the move to Sand Martin House. The delivery of Business Continuity (BC) within PCC will now be undertaken by a newly created shared service, the

			Cambridgeshire and Peterborough Resilience Team, which will continue to support services in a similar way to before with the advantage of work relating to BC now being led by a dedicated BC Officer from within the new shared service.
18.07	**PARTNERSHIPS** Lead: Director of Law and Governance	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 (e.g. LLPs, partnerships, significant contracts etc.) See 18.02 above
	Area of Assurance	**Gap**	**Proposal to Mitigate**
			Cabinet, in December 2018, approved the creation of a Cabinet Shareholders Sub-Committee to give oversight of all council companies and joint ventures.
18.08	**EQUALITY AND DIVERSITY** Lead: 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 policy was approved by the Employment Committee January 2011. Last revision of the policy was February 2017	2017 Equality and Diversity Policy was reviewed in May 2018 and no changes were required at that point. The Policy will; be next reviewed in May 2019. In the budget process, all proposals that have an equalities impact have an Equalities Impact Assessment carried out and published for the consultation process.

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 2018 / 2019. These are documented in Table 3 below.

Table 3: 2018 / 2019 New Governance Areas For Action

	Area of Assurance	Gap	Proposal to Mitigate
19.01	Budget Resilience	As per the 2019/20 MTFS, the council has an ongoing budget deficit of circa £20m which needs to be delivered for the council to achieve a sustainable ongoing budget. Over the past 2 years this gap has been closed by the use of one off resources which is not a sustainable strategy. In order for the council not to move into financial difficulties, savings and efficiency proposals must be agreed in time for full delivery in 2020/21.	Savings, efficiency and commercial proposals to balance the 2020/21 budget need to be in place and agreed in Tranche 1 of the 2020/21 budget process to ensure delivery (as set out in the 2019/20 Stewardship Statement). To ensure this is delivered a concentrated budget option process will be followed during the summer of 2019 to ensure Members have options that can be scrutinised and agreed to deliver a balanced budget in 2020/21 and moves the Council to sustainability in the medium term.
19.02	Partnerships and Procurement Arrangements	A full review is required to ensure that contractual arrangements entered into by the council are to the benefit of the council and sustainable and follow all local and national legislation and best practice. Examples where this has been identified include: • Issues that have been identified with the formation of the 2014 IT Strategy and the delivery of this strategy, especially around work linked to the Digital Front Door. From the work it has been identified Procurement rules were not followed/complied with. • Extension of the Empower loan. • That in the past, gifts and hospitality in relation to interactions with contractors have not been added to the gifts and hospitality register in a timely manner.	Review contract rules/compliance and setting up of cross council officer group to ensure compliance to Council and national rules, regulations and best practice for procurement and commissioning. Linkage of the project management and contracting processes to the monthly monitoring process to the Council to ensure best practice is followed and the Council deliver value for money from its contracts. Overview of Council companies via the Shareholders Committee to ensure companies are delivering to Council objectives. In September 2018, an internal audit review of Gifts and Hospitality was undertaken and gave a 'Reasonable Assurance' opinion. A review is being undertaken of the Officer Code of Conduct including Gifts and Hospitality – a confidential report is going to Constitution and Ethics Committee in July 2019 which will then need to go to the

	Area of Assurance	Gap	Proposal to Mitigate
			JNC and Employment Committee as it forms part of the terms of employment. This will ensure: • Correct contract specification and market warming • Minimisation of cost - to fit with Council's financial remit • Correct solutions for the Council's service strategies I
19.03	Monitoring	Financial monitoring goes to every CMT and every Cabinet. It does not contain any performance information. For correct decision making both finance and performance must be included in the same report at the correct level of detail.	That in 2019/20, monitoring will include both a financial and performance aspect. The initial performance data will be based on the data that is submitted to the GPC Committee at CCC - so both Councils are aligned for those services. Indicators will need to be designed for those services specific for PCC.
19.04	Health and Safety	There has been significant changes to how the Council works following the move to Sand Martin House and the rise in Agile working. There have been three audits that have been undertaken in 2018/19: • A H&S Health Check undertaken by 4OC • A Fire Safety audit undertaken by 4OC • An Internal Audit review of Health & Safety There is a requirement for the delivery of the outputs from these audits to ensure the council's Health and Safety arrangements fully reflect the new working arrangements that Council now work within.	Work has been taking place to move forward the recommendations from the three audits along the following themes: • Principal Responsible Person responsibilities • Health & Safety policy updates (including KPI's and reporting policy). • Fire Strategy • Estate compliance (of all issues) • Training and compliance • Auditing and risk assessment These will be reviewed via the re-constituted Health and Safety Board

	Area of Assurance	Gap	Proposal to Mitigate
19.05	Business Continuity	To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	Review all departmental Business Continuity delivery plans in Q1 and Q4 of 2019/20 to ensure the points raised in 18.6 above has been delivered. Conduct a yearly full business continuity test during 2019/20.
19.06	Cyber Security	To ensure that the work undertaken in 2018/19 is updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	Review to ensure all Members and Officers have undertaken training Review to ensure compliance to all applicable Cyber and Information security standards Review to ensure all council data is in a format that is “Safe”

Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders. 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 2019*

Gillian Beasley, Chief Executive

Date:

Signed: *To be signed by 31 July 2019*

Councillor John Holdich, Leader of the Council

Date:

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