

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2019/20



Peterborough City Council

Statement of Accounts 2019/20

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Narrative Report

1 Peterborough's Vision and Strategic Priorities

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

The Council's priorities to deliver this vision are:

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

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

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 2019/20 (the Code).

It brings together the major financial statements for the financial year 2019/20. 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 2020;
- *Cash Flow Statement* – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties;
- *Notes to the Financial Accounts* – The Statements are supported by technical notes;
- *The Collection Fund and Notes* – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government;
- *Statement of Accounting Policies* – Outlines the significant accounting policies adopted by the Council;
- *Group Accounts* - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.

3 Managing Organisational Performance

The Council's priorities are embedded within the budget-setting process and alongside these the Council has identified a strategic approach, to ensure the delivery of a sustainable budget:

- Building on successful transformation;
- Making its assets work even harder;
- Increasing commercial income and driving down the costs of contracts;

- Redesigning its services.

The Council has arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to deliver 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 2019/20.

During 2019/20 further financial and human resources planning controls were enacted to ensure the council operated within its financial envelope which included:

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

A Rapid Implementation Team (RIT) has been established which reports weekly to the CMT to ensure saving plans are delivered.

A Financial Improvement Programme Management Board (FIPMB) has been established, dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new savings plans and ensuring the delivery of financial targets.

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.

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

An officer led Capital Review Group met on monthly basis throughout 2019/20. This group has the responsibility of reviewing all aspects of the Council's Capital Programme. This year the group has been primarily focused on reducing the Capital Programme to a level which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2019/20 Capital Budget to £69.3m from £124.4m in April 2019.

The Council's Treasury Management Strategy (TMS) contains the Council's Prudential Indicators, which are set each year as part of the budget setting process. These indicators are designed to assist members' overview and confirm the cost of the capital programme is sustainable. The Capital programme and treasury activities are monitored throughout the year, with performance against the indicators 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 contained in the outturn report to Cabinet. The following are a sample of the 2019/20 KPI's reported:

- Prompt payment of invoices to suppliers – 80.8% (83.9% 2018/19) of invoices are paid promptly (within 30 days);

- Speed of collecting debtor accounts – a total of £66.5m (£68.5m 2018/19) of invoices was raised with a total of £64.7m (£56.2m 2018/19) collected, across all sundry debt;
- The collection of council tax and business rates – Council tax collection rate for was 95.81% (95.83% 2018/19) and the business rates collection rate was 97.89% (97.90% 2018/19);

4 Revenue Position

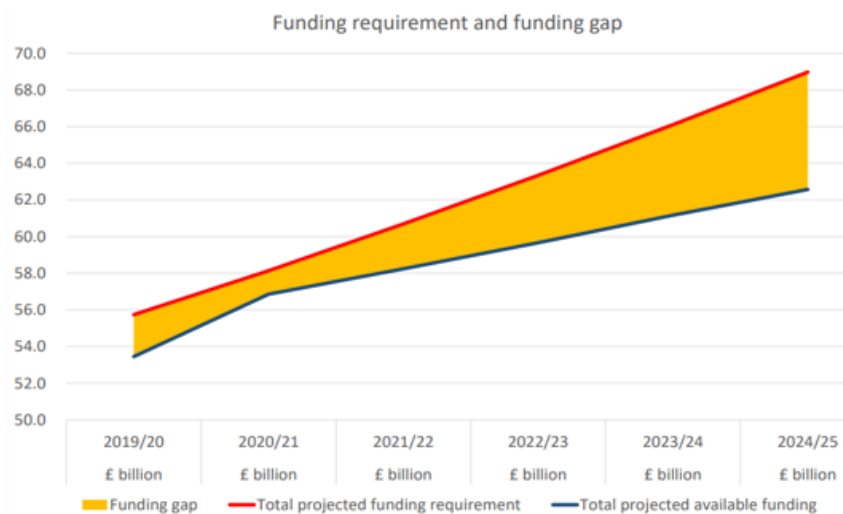
National context

In September 2019 the Chancellor announced a one year only Spending Review (SR19), which outlined a real term increase of 4.3% for local government in 2020/21. This included additional funding for areas such as homelessness, schools' high needs block, new towns fund and additional social care funding, including the ability to raise a 2% adult social care precept. The announcement also outlined a CPI (1.6%) uplift in the level of Revenue Support Grant, the first uplift in over a decade. Although the announcement provided the Council with some short-term stability, by confirming the continuation of current key grants, a high degree of uncertainty around the councils future funding levels remains.

In December 2019 the Conservative Party won the General Election with an increased majority, giving the government more scope in making policy decisions in areas which would influence local government. At this point the Prime Minister pledged to bring forward a plan for a solution to adult social care, as well delivering Brexit. On 31 January 2020, the UK formally left the EU, although negotiations are still ongoing, the government has vowed that any additional responsibilities and financial

pressures arising for Councils, as a result of Brexit, will be fully funded.

Nationally local government has continued to experience 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 in funding. The Government have been responding to the reports focussing on the social care pressures being faced by the sector and have announced additional funding. However, according to the Local Government Association (LGA), councils are still facing a funding gap of over £6.4bn forming in day-to-day spending by 2024/25 as illustrated in the following chart.



Source: LGA -Council funding requirement and funding gap - technical document ¹

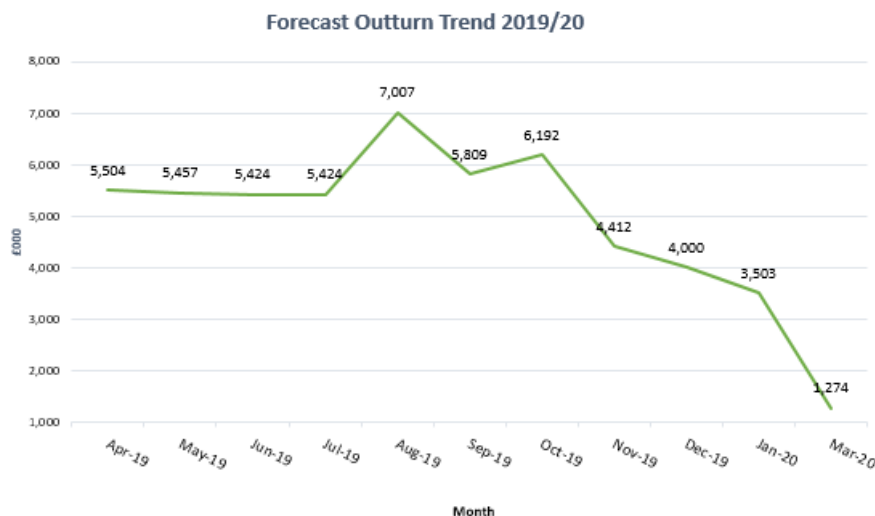
¹ [LGA -Council funding requirement and funding gap - technical document](#)

Local context

Through the year the Council has experienced rising demand for its services, increased costs from its suppliers and reductions in funding from central government. The following table shows how directorates performed against budget in 2019/20 with further detail and explanation contained in the Outturn Report as presented to Cabinet on 22 June 2020.

The final revenue outturn for 2019/20 is a £96k underspend, however following the Secretary of State approval the final position incorporates £5.6m borrowing to fund revenue expenditure (Capitalisation Direction). This approach is as per the Medium Term Financial Strategy (MTFS) as approved by Council March 2020.

| Net Revenue Expenditure | Revised Budget £000 | Actual £000 | Cont to Reserve £000 | Variance £000 |
|--|------------------------|----------------|-------------------------|------------------|
| Business Improvement | 1,125 | 1,071 | - | (54) |
| Chief Executive | 1,810 | 1,584 | - | (226) |
| Customer & Digital | 7,765 | 7,783 | - | 18 |
| Governance | 4,344 | 4,393 | - | 49 |
| People & Communities | 74,950 | 76,931 | 1,004 | 2,985 |
| Place & Economy | 19,201 | 18,500 | 83 | (618) |
| Public Health | 228 | 241 | - | 13 |
| Resources | 49,521 | 44,948 | 3,680 | (893) |
| Total Expenditure | 158,944 | 155,451 | 4,767 | 1,274 |
| Capitalisation Direction | - | (5,564) | - | (5,564) |
| Shortfall on asset sales | (2,821) | - | - | 2,821 |
| CCG - Credit Notes | - | 1,631 | - | 1,631 |
| Financing Adjustment | - | (258) | - | (258) |
| Revised Outturn | 156,123 | 151,260 | 4,767 | (96) |
| Transfer to Capacity Building Reserve | | | | (96) |



The chart above illustrates how the overspend forecast of the 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 reported forecast outturn overspends. Mitigating actions resulted in the reduction of the forecast overspend from the projected peak of £7.0m in August 2019 to a final broadly breakeven position.

Movements on reserve balances are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), page 2020, also shown in Note 16, page 49.

Reserves Balances

As at 31 March 2020, the balance on the General Fund is £5.1m. This is in line with the approved MTFs. The General Fund balance is usually maintained at £6m, however due to a timing difference in respect of Section 31 grant income associated with business rates the general fund has been used in 2019/20 to mitigate the variance, and will be fully replenished in 2020/21.

Schools balances totalled £3.2m at 31 March 2020, compared with £3.4m at 31 March 2019. This reduction reflects four 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.

The Capacity Building Reserve reduced by £2m as it has funded transformational expenditure such as the projects as contained in the ICT Strategy, Adults Positive Challenge programme and the delivery of other saving programmes across the Council. The reserve will be used to ensure that strategic, operational and financial delivery requirements can be met in the future.

Departmental reserves decreased by £1.9m, from £6.9m to £5m. This relates to the planned use of grant funding previously transferred and contributions from new grants which have been received and not fully expensed through the year. These reserves include a number of higher value grants which will fund programmed expenditure in 2020/21 and future years, such as:

- 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 2019/20 under proper accounting practices (see page 19).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2019/20 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 14, page 39).

Both of these formats include comparative figures for 2018/19. The statements use the Council's management structure for reporting net expenditure.

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

5 Capital and Treasury Position

The following table shows capital budgets as agreed for the 2019/20 MTFs of £114.1m including the Invest to Save Budgets of £36m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £124.4m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2020 was £94.2m. This compares to the final expenditure for each directorates and how this investment is planned to be financed of £64.3m.

| Capital Expenditure | 2019/20 MTFS Budget £000 | Revised Budget Apr 2019 £000 | Revised Budget Jan 2020 £000 | Actual £000 |
|---|-----------------------------------|---------------------------------------|---------------------------------------|----------------|
| Customer & Digital Services | 3,800 | 4,415 | 4,463 | 3,026 |
| Governance | 90 | 90 | - | - |
| People & Communities | 34,671 | 31,521 | 25,715 | 20,986 |
| Place & Economy | 27,873 | 31,560 | 20,084 | 18,066 |
| Resources | 11,700 | 20,051 | 19,069 | 16,689 |
| Capitalisation Direction | - | - | - | 5,564 |
| Total | 78,134 | 87,637 | 69,331 | 64,331 |
| Financed by: | | | | |
| Grants & Contributions | 26,826 | 32,855 | 34,252 | 36,072 |
| Capital Receipts | 23,150 | 23,150 | 23,150 | - |
| Borrowing | 28,158 | 31,632 | 11,929 | 28,259 |
| Total | 78,134 | 87,637 | 69,331 | 64,331 |
| Invest to Save (100% funded from borrowing) | 35,999 | 36,799 | 24,849 | - |

The revenue cost of financing the Council's borrowing totalled £16.4m in the year ending 31 March 2020, compared to £15.5m in the year ending 31 March 2019 (see Note 27, page 59).

Major projects which progressed during 2019/20 and included in the expenditure figures in the previous table are:

- A47/A15 Jct 18 (Nene) Bridge £3.2m
- Jack hunt Expansion £3.1m
- Hampton Lakes Primary School £5.0m
- Housing schemes developed by Medesham Homes £7.7m
- Purchase of homes from the open market project £4.2m

Capital expenditure has been financed by grants, third party contributions, and borrowing. Further information on capital

financing can be found in the Borrowing and Investments section below and Notes 10 and 24, pages 33 and 55.

The Council has invested in housing and the regeneration of the City. The Council has over the past three years enabled the City to exceed its housing delivery target, set by Government by more than 366 new homes. Other examples of regeneration across the city include:

- In January the Council published plans for £43m redevelopment of Peterborough railway station and the surrounding area.
- In February the Council commenced the Northminster redevelopment, by agreeing to transfer the assets held within the site to the Peterborough Investment Partnership.
- The Council is working with the Cambridgeshire and Peterborough Combined Authority, Medesham Homes LLP and Cross Keys Homes to build 146 new affordable homes across Peterborough.
- The construction of Hampton Lakes Primary School started in January 2019, progressing throughout 2019/20 and is now open. The school provides enough space for 420 children as well as 26 nursery places.

Borrowing and Investments

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

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

The following table shows that at 31 March 2020 the Council had net borrowings including cash and outstanding interest of £467.9m (£442.6m in 2018/19).

| 2018/19 | | 2019/20 |
|--------------|----------------------|--------------|
| £m | | £m |
| 65.5 | Short Term Borrowing | 103.0 |
| 392.1 | Long Term Borrowing | 374.6 |
| (15.0) | Investments | (9.7) |
| <u>442.6</u> | Net Borrowing | <u>467.9</u> |

The Council’s cash flow position is monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £28.3m, actual gross borrowing increased by £20.0m (net £25.3m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

6 Council Performance In Year

Key achievements over the past 12 months include:

- Peterborough is fifth fastest growing city in the country. Between 2001 and 2011 the population increased by 17.7% to 183,600. In 2019 the city’s population was estimated at 201,041, with projected population forecast to be 211,688 by 2023;
- The Council successfully applied for Innovate UK funding for “Designs for Smart Local Energy Systems” The project is called the Peterborough Integrated Renewables Project and will be a £2m detailed feasibility that looks at integrating heat, power and mobility and is expected to deliver an investible proposition with significant innovation and benefits for the city;
- Peterborough was ranked as the number one highway authority in the Eastern Region according to annual National Highways and Transport survey;

- The Council maintained 562 miles of roads, 719 miles of footways and 279 miles of cycle ways; 366 structures, 24,000 street lightings columns and 114 set of traffic signals;
- 3,458 potholes were repaired and 16 miles of roads were resurfaced;
- In 2019/20 we cleared up 7,130 fly-tips;
- 86% of the Schools in the City were rated good or outstanding by Ofsted;
- From April 2019- December 2019 Public Health services have completed 2,517 health checks, helped 405 people stop smoking and helped 1,229 achieve personal health goals;
- Peterborough was chosen as one of five areas to deliver a programme of improving community integration. As part of that programme during 2019/20 the council has:
 - Established 'Peterborough Communities Fund' and provided over £0.3m through this to fund 24 local community groups;
 - Trained 43 community champions to support victims of domestic abuse and sexual violence;
 - 45 people have started to train on the English for Speakers of Other Languages course;
 - Provided 279 people personal support and advice on volunteering, to build confidence and skills to deliver their ideas in the community.
- The Council looked after 381 Children in care and supported 2,763 adults to remain independent in their own home;
- At the end of 2019/20, the Council was supporting 323 homeless households in temporary accommodation, and a further 67 rough sleepers requiring accommodation due to the impact of COVID-19;

- The Council was successful in its bid for a grant as part of the New Towns Fund. Peterborough is one of 100 towns, which will receive up to £25m of investment from the £3.6bn government fund, to regenerate and transform the City;
- The Councils Elections Team won an award from the Association of Electoral Administrators for its dedication, outstanding effort and commitment, after conducting the first successful parliamentary recall petition, followed by a by-election, as well as local, European parliament and UK parliamentary elections throughout the year.

7 Changes to Service Delivery and Operations

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

The Permanency Service was transferred back to the Council's direct operation in October 2019. The transfer of staff, foster and adoptive carers and associated services back to the authority has taken place, with the Council supporting and training carers.

In July 2019, the Council was one of the first councils to declare a climate emergency. A Climate Change Member Working Group has been established and changes have already been made to governance processes, with officers completing Carbon Impact Assessments on all proposals under consideration by members. The council has a Carbon Management Action Plan which includes 20 pledges for 2020/21. Such pledges include

replacing the mayor's car with an ultra-low emissions vehicle and continuing to plant new trees, commitment to streetlight dimming, and a review of the council's electricity and gas contracts which will seek to amend to 100 per cent renewable energy tariffs and carbon off-set gas tariffs.

The Council continues to unlock the benefits from increased use of technology to increase flexibilities and efficiencies with a successful move to Microsoft Office 365 suite in August 2019. Enhanced agile capabilities enable a streamlined approach to working within a shared service role across multiple organisations and locations. As social distancing measures were introduced in March 2020, the Council's workforce has been able to quickly adapt and seamlessly transition to working from home.

8 Risks, Challenges and Mitigating Action

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

The current and substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Risks which have been identified (outside COVID-19 pandemic) include:

- Demand Led Services - the Council provides services where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. The demographics associated with these services remain under regular review throughout the year;
- Financial Resilience – there is the risk that Council has insufficient reserve balances to withstand the budget pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency situation. The Lean Cost Structure Review, a strategy to deliver a new operating model to operate at a lower cost base for the Council is in progress;
- Savings Delivery - the achievement of a balanced and sustainable budget is reliant on a challenging savings programme and the organisational capacity to implement transformational change. Progress against all saving proposals is monitored by the RIT and reported to FIPMB, CMT and Cabinet accordingly;
- Business Rates, Council Tax and other fees and charges - the council relies on income generated from council tax, business rates and other income streams such as parking, planning. There is a risk that collection rates could decline, or growth assumptions built in to the budget are too ambitious. 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;
- Local Government future funding models – uncertainty remains regarding the future funding model for all Councils. This uncertainty creates a challenge when assessing available resources the Council has to be able to deliver services to inform the plans for the medium term financial strategy. The Council will continue to monitor developments from central government and input into consultations;
- The capital programme is partially reliant on developer contributions as well as successful bids for external funding.

These funding streams are not guaranteed and could be impacted by a downturn in development or the economy. It also takes a proactive approach in bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG)

- The Council monitors the forecasts for sale completions and valuations to ensure the correct value has been accounted for within the MTFS.

As a result of the COVID-19 pandemic the impact of the risks identified are expected to increase with the Council being part of the key organisations responding to the crisis. Although the council has received additional funding the financial implications are expected to exceed this and pressures to continue into the medium term. Further detail of the impact of the COVID-19 pandemic is outlined in detail in section 10.

9 Strategy for Future Sustainability

The Council's MTFS for 2020/21 was balanced by the identification of £34.7m of budget reductions, including the use of £3.9m of capital receipts to repay debt. The Council plans to use £1.5m from reserves and £1.2m of the Capitalisation Direction.

A copy of the Council's MTFS for 2020/21 to 2022/23 is located on the Council's website². A summary of the budget changes agreed at Council on 4 March 2020 and the financial challenge which remains, is outlined in the following table.

² <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/>

The Council will need to identify budget reductions totalling at least £14.8m by 2022/23 to set a balanced budget.

| Summary Budget Position | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|--|-------------------------|-------------------------|-------------------------|
| Budget Gap | 18,409 | 20,056 | 18,721 |
| Service Pressures and investment | | | |
| Tranche 1 | 15,134 | 15,134 | 15,134 |
| Tranche 2 | 2,668 | 2,446 | 2,396 |
| Total | 17,802 | 17,580 | 17,530 |
| Budget Position before savings & additional income | 36,211 | 37,636 | 36,251 |
| Savings & additional income (including Capitalisation Direction) | | | |
| Tranche 1 | (24,038) | (24,029) | (22,565) |
| Tranche 2 | (10,662) | 638 | 1,123 |
| Total | (34,701) | (23,391) | (21,443) |
| Use of Reserves | (1,510) | - | - |
| Final Budget Gap | - | 14,245 | 14,808 |

The Council approved an increase to council tax by 3.99% in 2020/21, this includes a general increase of 1.99% and an Adult Social Care precept of 2%. This was one of the measures announced as part of the Spending Review 2019 and confirmed within the referendum limits included in the Local Government provisional finance settlement in December 2019. The Council has a greater reliance on Council Tax funding compared to five years ago. In 2013/14 £56.6m of Council Tax Income was generated, this has increased by 48.2% to £83.9m. 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 2020/21:



Revenue Support Grant (RSG), was increased by 1.63%, to £10.4m in 2020/21, the first increase in over a decade. Despite this increase, the Council's RSG has seen a reduction of 81% since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core 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 Council will benefit from £1.3m of additional income as a result of a successful Business Rates pool application with the other Cambridgeshire Local Authorities. The pool considers the business rates levy owed by each of the authorities, pooling them together, which produces a lower percentage levy calculation for the councils included.

Other grants received include grants for social care, which have been increasing but not at the same speed as the increase in demand on services. As well as New Homes Bonus, an

incentive-based grant to reward local authorities for the development of new housing will be announced. The level of grants to be received by the Council remains uncertain beyond 2020/21.

The CMT and senior officers have commenced a Lean Cost Service Review (LCSR), in order to design and develop a new operating model for the Council for it to operate sustainably within its financial envelope. This review is likely to result in a combination of the following:

- Reduce contractual expenditure and tighter contract management;
- Redesign of delivery of services including:
 - Delivering services at a lower cost, value for money, more efficient manner;
 - Providing a lower level of services, or make them much leaner;
 - Reduction in services provided

10 Covid-19

On the 24 March 2020 the Council declared a critical incident which enabled the Council to enact the emergency policy. This provides the Council with:

- Governance structure of Gold, Silver and Bronze Command Groups are in operation, with regular diarised meetings to ensure swift and effective decision making takes place, and actions are implemented;
- Additional guidance to ensure that vital services are delivered by redeploying staff to key roles and staffing levels are maintained to deliver vital services;

- Business Continuity Plans are reviewed and daily communication to the organisation takes place via email and on the intranet site.

Operations

The Council's response and immediate priorities have focused on:

- mitigating the potential impact and risks to the delivery of key services, particularly the sustainability of Adult Social Care services;
- the establishment of a Coordination Hub to provide residents that are vulnerable or shielding with access to food, medicine and other essential support;
- ensuring vulnerable children are supported by working with schools to support vulnerable children and those children of key workers;
- the provision accommodation for rough sleepers to ensure they can safely self-isolate;
- ensuring front line services and care workers have Personal Protective Equipment (PPE) to enable safe working and to minimise transmission and spread of the virus.

The Council has been working collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible are supported within the community to avoid hospital admissions.

The Council's agile working practices and ICT systems have enabled the majority of staff to work from home or be redeployed to other roles. With most of the workforce working from home the Council has provided additional mental health and wellbeing support to all staff, and have ensured there has been daily

communication to ensure the local and national position are known and the Council's role in delivery of services understood.

As at the 14th May 2020 there have been 16,264 individuals registered as shielded across Peterborough and Cambridgeshire, with the hub providing support to 4,852 of these, as they have been in contact to request help. The response received so far has been overwhelmingly positive with over 1,800 volunteers registered to support the operation, as well joint working with partner organisations such as the Red Cross and Cross Keys Homes.

On 18 March 2020 the Prime Minister announced that schools and educational settings were to close from 20 March 2020, with the exception of a continued education provision for vulnerable children, or those children with parents that are key workers. The Council has worked closely with professionals across the education sector, schools and early year's settings to mobilise the resulting actions from the Government's announcement. This has including developing education packs, resources and online learning platforms that will allow children to continue learning at home, ensuring free school meals are provided to eligible families and providing disadvantaged children with a laptop or tablet and access to broadband to ensure they have access to educational resources. In addition to this a high percentage of schools across Peterborough have been open to support vulnerable children and those whose parents are key workers.

The Council is now focussing its attention to providing advice, guidance and support to schools, while they make their preparations to safely and confidently open to more children in the coming months.

At present the Council is not anticipating any major impact to key supplier chains. The Council has been following the Procurement Policy Note (PPN 02/20) issued by the Government and have issued guidance and procedures which must be followed by all officers, should a supplier apply for relief under this note. The Council has maintained contractual payments. The Council have worked closely with suppliers and where possible redeployed the resource to support the coordination hub.

The Council's capital programme schemes are progressing at a slower rate due to reduced level of productivity. This is the result of restrictions which have been implemented within highways and property teams to operate social distancing. These measures continually reviewed in line with the Government's announcements on the easing of lockdown and more local measures are enacted.

Financial Position

An initial impact of the pandemic on the Council's financial position was reported to Cabinet on 11 May 2020³. The Council has additional financial challenges resulting from the actions required to manage the pandemic. This includes the loss of income streams, additional pressures from service users and difficulty with delivering the planned savings. Current estimates indicate that the additional cost to the Council to be at least £18.3m in 2020/21, with further Council Tax and Business Rates income reduction expected to cause a further £15.8m of pressure on the 2021/22 budget. These financial implications

will impact the Council's financial position in the medium to longer term.

The Council's financial resilience is anticipated to decrease due to the additional costs incurred in response to the pandemic, combined with already low reserves balances and a budget gap of £14.2m in 2021/22.

The overall financial position is being reviewed weekly by the CMT, and reported to Cabinet on a regular basis, along with the regular COVID-19 financial position returns to central government.

The Government have announced a number of initiatives and support to be delivered to, and through, Local Government. These include additional funding to the Council, businesses and individuals, as well as advance payment of grants and a deferral in business rates payment, to support the Council's cash flow position.

The Council has considered the financial implications of COVID-19 on the balance sheet. As the Government has made available support packages for businesses including business rates holidays, grants, a loan scheme and the ability to furlough staff, at this time the Council has not amended its approach, to reflect any impact of the pandemic within this calculation. This will remain under close observation as the wider economic impact of the pandemic unfolds. At this stage the Council has not made any adjustments to the valuation of its investment assets in respect of COVID-19, this will be monitored and further detail has been outlined within Critical Judgements in Applying Accounting Policies, Note 42, page 70.

³ [Council Financial Position Report- 11 May Cabinet](#)

Risks

A risk log has been developed to identify COVID-19 specific risks which would have an impact. This is reviewed by the Joint Management Team (JMT which covers both the Council and Cambridgeshire County Council) on a weekly basis. In addition to the risks identified within section 8, the specific COVID-19 risks include:

- Financial risk arising from a reduction in income, additional costs and non-delivery of savings plans, as a result of the pandemic. This would impact the Councils financial resilience and ability to respond to an emergency.
- Staffing levels could be impacted as a result of the pandemic due to sickness, shielding or childcare commitments. The Council is monitoring the data and has issued guidance to staff and managers. A redeployment scheme has been implemented to ensure staff can be redirected to other areas within the Council requiring resource.
- The Council has changed the demand on how ICT is accessed to ensure effective and efficient homeworking for the majority of the workforce. A disaster recovery plan is in place and with modifications to server and system changes to reduce disruption.
- Operational risks include the safeguarding of vulnerable adults and children throughout the lockdown period, the ability for schools to remain open, a reduction in the level of available accommodation for homeless families or individuals and the delivery of free school meals to those not attending an education setting. All of these instances have undergone consideration with detailed strategies implemented by the Councils service departments to mitigate these risks as far as possible.

- Increased demand on health and care services may exceed service provision or care providers can not deliver services as required. The Council has recently agreed an uplift in funding to support care providers and are working closely with the NHS and Cambridgeshire County Council to set up additional service provision.
- An increase in the level of deaths within Peterborough will lead to a strain on the capacity of the burial and crematorium service, which would subsequently impact the mortuary facilities. This is monitored by the Council and additional capacity in both services has been made available.

Recovery

As the pandemic restrictions were put in place nationally the Council was already in the process of thoroughly reviewing its operations, with the view to implementing transformational changes in 2020/21, as set out in the MTFS. The disruption to 'business as usual' resulting from the pandemic has meant that previously held plans and approaches will need to be re-visited. Although the full extent of the impact of COVID-19 on the Council and the community is unknown, the Council has begun to develop a recovery plan by establishing a framework which includes the following stages:

- identification of risks to both the immediate and long term financial and operational effectiveness of the Council, with consideration of the mitigating actions which have been put in place throughout the pandemic;
- review the Council's strategic priorities and aims in light of a change in needs and resources;
- consideration of the social and financial impact, by conducting financial modelling, scenario analysis and impact assessments to ensure that strategic ambitions and

operational plans balance affordability, sustainability and need;

- redesign of services and development of service plans for the recovery and reintroduction of services throughout the period. This will include maximising opportunities which have been identified through the pandemic, such as the enhanced agile working approach or the collaborative working with the community and volunteers.

The Council is an active member of the Cambridgeshire and Peterborough Local Resilience Forum Recovery Group, along with other Cambridgeshire Councils, NHS, Police and Crime Commissioner and the Fire Authority. This group has established a Multi-agency Community Recovery Group, which has the immediate focus of producing a wider recovery plan for the local area. Individual strands have been identified for development, these include, care, health, criminal justice, environmental and economy and will look to address issues such as the loss of income, pressures placed on certain sectors due to rising demand and increased cost base, future ongoing support from Central government and rebuilding financial resilience.

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.

The Council approved the revenue and capital budget requirement for 2020/21 as part of its MTFS. The budget supported the Council's key priorities and included £34.7m of budget reductions, £1.2m of Capitalisation Direction and the use of £1.5m from the Capacity Building Reserve. The budget gap in 2021/22 remains at £14.2m, rising to £14.8m in 2022/23. The

Council remains in a challenging financial position, which has been exacerbated by the COVID-19 pandemic. The Council will continue to be proactive in making decisions on how it can best deliver services within its financial envelope, but the current situation means the Council is going to have to make significant operational changes and will be reliant on additional funding from central government.

The Council has where possible managed the financial challenges during 2019/20, by being alert to service and budget pressures, and balancing the demands of local circumstances with the financial constraints. The actions taken by Cabinet and CMT has meant that the Council has significantly reduced the forecast overspend by the end of the financial year.

The Council will continue to provide the vital response to the COVID-19 pandemic and support the residents and businesses of Peterborough through these unprecedented times. The challenge will remain once operations start returning to normal in future months, however the Council is working closely with neighbouring local authorities to develop a recovery plan to support the recovery of the local economy, resume services and support businesses and the community rebuild after the devastating impact of the pandemic.

I am extremely grateful to all the finance and operational staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced during 2019/20 and still continue to face. The willingness to go above and beyond has never been more apparent than in recent months, with staff adapting incredibly quickly and professionally to a new approach to working or applying themselves to a different role to ensure the continuation of services or provide community response to the pandemic. I would also like to extend my gratitude to the individual volunteers and organisations that

have worked closely with the Council to support the residents and businesses of Peterborough through these unprecedented times.

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

33



Peter Carpenter,
Acting Director of Corporate Resources

Independent Auditors' Report to the Members of Peterborough City Council

To be added following conclusion of audit – October 2020

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2020 was approved at the meeting of the Audit Committee on 13 July 2020.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

Date:

2020

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 23 to 100 present a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Acting Director of Corporate
Resources:

Date:

Peter Carpenter

2020

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 and the Expenditure and Funding Analysis Note 14 and the Movement in Reserves Statement Note 16.

| <i>Restated 2018/19 *</i> | | | | | | | 2019/20 | | | |
|---------------------------|---------------------|------------------------|--|--|--|---------|-----------------------------|--------------------------|---------------------|------------------------|
| <i>Gross Expenditure</i> | <i>Gross Income</i> | <i>Net Expenditure</i> | Comprehensive Income & Expenditure Statement (CIES) | | | | Notes (From Page 23) | Gross Expenditure | Gross Income | Net Expenditure |
| <i>£000</i> | <i>£000</i> | <i>£000</i> | | | | | | £000 | £000 | £000 |
| 873 | (76) | 797 | Business Improvement | | | | | 1,168 | (15) | 1,153 |
| 2,170 | (672) | 1,498 | Chief Executives | | | | | 2,590 | (824) | 1,766 |
| 7,631 | (907) | 6,724 | Customer & Digital Services | | | | | 8,711 | (959) | 7,752 |
| 5,681 | (1,122) | 4,559 | Governance | | | 4 | | 6,846 | (2,118) | 4,728 |
| 309,667 | (204,199) | 105,468 | People & Communities | | | 1, 2, 6 | | 286,023 | (184,205) | 101,818 |
| 56,772 | (13,570) | 43,202 | Place & Economy | | | | | 55,200 | (16,973) | 38,227 |
| 11,083 | (11,110) | (27) | Public Health | | | 6 | | 11,289 | (11,000) | 289 |
| 90,787 | (66,987) | 23,800 | Resources | | | 3 | | 85,042 | (58,653) | 26,389 |
| 484,664 | (298,643) | 186,021 | Cost of Services | | | | | 456,869 | (274,747) | 182,122 |
| 12,900 | (9,661) | 3,239 | Other Operating Income & Expenditure | | | 9 | | 8,750 | (1,991) | 6,759 |
| 104,590 | (7,727) | 96,863 | Financing & Investment Income & Expenditure | | | 10 | | 36,588 | (6,186) | 30,402 |
| 2,642 | (166,143) | (163,501) | Taxation & Non-Specific Grant Income & Expenditure | | | 11 | | 2,828 | (178,801) | (175,973) |
| 604,796 | (482,174) | 122,622 | (Surplus) / Deficit on Provision of Services | | | 14 | | 505,035 | (461,725) | 43,310 |
| | | (5,571) | (Surplus) / Deficit on Revaluation of Non-Current Assets | | | 15,17 | | | | (23,647) |
| | | 46,056 | Actuarial (Gains) / Losses on Pension Assets / Liabilities | | | 7 | | | | (126,988) |
| | | 40,485 | Other Comprehensive Income & Expenditure | | | | | | | (150,635) |
| | | 163,107 | Total Comprehensive Income & Expenditure | | | | | | | (107,325) |

* the 2018/19 figures have been restated to take account of changes in organisation structure during 2019/20

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 15, page 42.

| Movement in Reserves during 2018/19 and 2019/20 | 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 |
|---|------|----------------------|-------------------|---------------------------------|--------------------------|----------------------------------|-----------------------|-------------------|------------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <i>Balance at 1 April 2018</i> | 15 | (6,000) | (5,559) | (34,899) | - | (1,216) | (47,674) | 137,469 | 89,795 |
| <i>Total Comprehensive Income & Expenditure</i> | | 120,437 | 2,185 | - | - | - | 122,622 | 40,485 | 163,107 |
| <i>Adjustments between accounting basis & funding basis under regulations</i> | | (116,755) | - | - | (7,663) | 106 | (124,312) | 124,312 | - |
| <i>Net Increase / Decrease before Transfers to Earmarked Reserves</i> | | 3,682 | 2,185 | - | (7,663) | 106 | (1,690) | 164,797 | 163,107 |
| <i>Transfers to / (from) Earmarked Reserves</i> | | (3,682) | - | 3,682 | - | - | - | - | - |
| <i>(Increase) / Decrease in 2018/19</i> | | - | 2,185 | 3,682 | (7,663) | 106 | (1,690) | 164,797 | 163,107 |
| <i>Restated Balance at 31 March 2019 Carried Forward</i> | | (6,000) | (3,374) | (31,217) | (7,663) | (1,110) | (49,364) | 302,266 | 252,902 |
| Balance at 1 April 2019 | | (6,000) | (3,374) | (31,217) | (7,663) | (1,110) | (49,364) | 302,266 | 252,902 |
| <i>Total Comprehensive Income & Expenditure</i> | | 43,095 | 215 | - | - | - | 43,310 | (150,635) | (107,325) |
| <i>Adjustments between accounting basis & funding basis under regulations</i> | | (38,454) | - | - | 7,663 | 152 | (30,639) | 30,639 | - |
| <i>Net Increase before Transfers to Earmarked Reserves</i> | | 4,641 | 215 | - | 7,663 | 152 | 12,671 | (119,996) | (107,325) |
| <i>Transfers to / (from) Earmarked Reserves</i> | | (3,753) | - | 3,753 | - | - | - | - | - |
| (Increase) / Decrease in 2019/20 | | 888 | 215 | 3,753 | 7,663 | 152 | 12,671 | (119,996) | (107,325) |
| Balance at 31 March 2020 Carried Forward | | (5,112) | (3,159) | (27,464) | - | (958) | (36,693) | 182,270 | 145,577 |

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

| 31 March 2019 £000 | Balance Sheet | Notes | 31 March 2020 £000 |
|--------------------------|---|--------|--------------------------|
| 548,941 | Property, Plant & Equipment | 17 | 571,042 |
| 25,676 | Investment Property | 18 | 23,135 |
| 9,144 | Intangible Assets | 19 | 8,405 |
| 1,372 | Long term Debtors | 27, 28 | 2,509 |
| 585,133 | Long Term Assets | | 605,091 |
| 17 | Short Term Investments | 27, 29 | 3 |
| 456 | Inventories | 30 | 461 |
| 76,699 | Short Term Debtors | 31 | 83,086 |
| 15,268 | Cash & Cash Equivalents | 28, 38 | 10,437 |
| 128 | Current Intangible Asset | | - |
| 1,217 | Assets Held for Sale | 20 | 2,015 |
| 93,785 | Current Assets | | 96,002 |
| (69,062) | Short Term Borrowing | 27 | (106,457) |
| (63,757) | Short Term Creditors | 32 | (69,163) |
| (9,088) | Provisions | 33 | (10,174) |
| (141,907) | Current Liabilities | | (185,794) |
| (332,035) | Long Term Creditors (Pension Liability) | 7 | (221,488) |
| (175) | Provisions | 33 | (356) |
| (392,087) | Long Term Borrowing | 27 | (374,587) |
| (45,720) | Other Long Term Liabilities | 27, 28 | (44,807) |
| (19,896) | Capital Grants Receipts in Advance | 34 | (19,638) |
| (789,913) | Long Term Liabilities | | (660,876) |
| (252,902) | Net (Liabilities) / Assets | | (145,577) |
| (49,364) | Usable Reserves | 15 | (36,693) |
| 302,266 | Unusable Reserves | 15 | 182,270 |
| 252,902 | Total Reserves | | 145,577 |

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.

| <i>Restated 2018/19* £000</i> | | Notes | 2019/20 £000 |
|---------------------------------------|---|--------------|-------------------------|
| Cash Flow Statement | | | |
| 122,622 | Net (Surplus) / Deficit on the Provision of Services | | 43,310 |
| (85,520) | Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements | | (74,347) |
| (60,782) | Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities | | (4,275) |
| <u>(23,680)</u> | Net Cash Flows from Operating Activities | | (35,312) |
| 56,308 | Investing Activities | 36 | 60,536 |
| (39,140) | Financing Activities | 37 | (20,393) |
| <u>(6,512)</u> | Net (Increase) / Decrease in Cash & Cash Equivalents | | 4,831 |
| 8,756 | Cash & Cash Equivalents at the Beginning of the Reporting Period | | 15,268 |
| 6,512 | Increase / (Decrease) in Cash and Cash Equivalents | | (4,831) |
| <u>15,268</u> | Cash & Cash Equivalents at the end of the Reporting Period | 38 | 10,437 |

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

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2019/20 and for the previous financial year are as follows:

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

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 2019. 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 2018/19 | 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 |
| Carry Forward to 2019/20 | (2,973) | - | (2,973) |
| Total amount carried forward | | | (2,973) |

2 Pooled Funds

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

Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2019/20 was £14.2m (2018/19 £13.3m) of which £7.2m is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £2.0m directly received capital funding and £4.8m retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2019/20 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 (2018/19 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2019/20 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 (2018/19 £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 £1.5m (2018/19 £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 provided by the Council's external auditors, Ernst and Young LLP (EY).

| 2018/19* £000 | External Audit Costs | 2019/20 £000 |
|------------------|--|-----------------|
| 106 | Fees payable with regard to external audit services carried out by the appointed auditor | 161 |
| - | Other services provided by the appointed auditor | - |
| 106 | Total | 161 |

* 2018/19 figures have been restated to reflect the final payment

The increase in fees is contained in the EY 'Provisional Audit Plan' which was due to be considered at Audit Committee 25 March 2020⁴. On page 42 of this Plan it details that the increase in fee is based on the following factors:

- Status of the sector - increasing complexity of local government reporting
- Audit of estimates - to address the regulatory expectations from FRC
- Regulatory environment - pressures from the changing regulatory landscape and audit market dynamics

⁴ [EY Provisional Audit Plan – Item 4, 25 March Audit Committee](#)

- Public sector audit profession - there is a shortage of specialist public sector audit staff and multidisciplinary teams to support compressed timescales

4 Member's Allowances

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

| 2018/19 £000 | Member's Allowances | 2019/20 £000 |
|-----------------|---------------------|-----------------|
| 847 | Allowances | 869 |
| - | Expenses | - |
| 847 | Total | 869 |

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £2.6m (2018/19 £0.9m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

| Restated 2018/19* £000 | Termination Benefits | 2019/20 £000 |
|------------------------------|--------------------------------------|-----------------|
| - | Business Improvement and Development | 141 |
| 95 | Chief Executive | 374 |
| 2 | Customer & Digital Services | 198 |
| 20 | Governance | 76 |
| 443 | People & Communities | 814 |
| 146 | People & Communities (Schools) | 143 |
| 204 | Place & Economy | 518 |
| 16 | Public Health | 37 |
| - | Resources | 253 |
| 926 | Total | 2,554 |

* Restated to show updated headings as a result of changes in directorates

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

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

| Termination and Exit Packages | | | | | | | |
|--|-----------------|--------------|-----------------------|------------|--------------|--------------|--|
| Compulsory No. | Voluntary No | Total No. | Bands | Compulsory | Voluntary | Total | Pension Strain inc. in total* £000 |
| | | | | £000 | £000 | £000 | |
| Termination and Exit Packages 2019/20 | | | | | | | |
| 1 | 34 | 35 | £0 - £19,999 | 3 | 242 | 245 | - |
| - | 26 | 26 | £20,000 - £39,999 | - | 747 | 747 | 71 |
| - | 7 | 7 | £40,000 - £59,999 | - | 355 | 355 | 96 |
| - | 7 | 7 | £60,000 - £79,999 | - | 508 | 508 | 181 |
| - | 3 | 3 | £80,000 - £99,999 | - | 271 | 271 | 130 |
| - | 3 | 3 | £100,000 - £150,000 + | - | 428 | 428 | 294 |
| 1 | 80 | 81 | Total | 3 | 2,551 | 2,554 | 772 |
| Termination and Exit Packages 2018/19 | | | | | | | |
| 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 |

* 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 2019/20 the Council paid £5.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay from April to August 2019 and 23.7% from September 2019 onwards. The figures for 2018/19 were £4.7m 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 2019/20 the Council paid £89k to NHS Pensions in respect of employee's retirement benefits, representing 14.4% of pensionable pay. The figures for 2018/19 were £100k and 14.3%.

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County

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

Transactions Relating to Post-Employment Benefits

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

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

| 2018/19 £000 | Comprehensive Income & Expenditure Statement | 2019/20 £000 |
|-----------------|--|------------------|
| | Cost of Services: | |
| 20,888 | Current service cost | 25,170 |
| 1,390 | Past service cost | 112 |
| (649) | Effect of settlements | (2,930) |
| | Financing & Investment Income & Expenditure | |
| (12,334) | Interest Income on Scheme Assets | (11,678) |
| 19,756 | Interest Cost on Defined Benefit Obligation | 19,750 |
| <u>29,051</u> | Total post-employment benefit charged to the Deficit on the Provision of Services | 30,424 |
| | Other employment benefit charged to the CIES | |
| (17,707) | Return on plan assets (excluding the amount included in the net interest expense) | 35,450 |
| - | Actuarial gains and losses arising on changes in demographic assumptions | (16,886) |
| 62,946 | Actuarial gains and losses arising on changes in financial assumptions | (64,313) |
| 816 | Other Experience | (81,170) |
| 1 | Adjustment to actuarial estimate contribution | (69) |
| <u>46,056</u> | Total Remeasurements Recognised in CIES | <u>(126,988)</u> |
| <u>75,107</u> | Total post-employment benefit charged to the CIES | (96,564) |
| | Movement in Reserves Statement | |
| (75,107) | Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | 96,564 |
| | Actual amount charged against the General Fund Balance for pensions in the year: | |
| 14,410 | Employer's contributions payable to scheme | 13,983 |
| <u>(60,697)</u> | Total Movement in Reserves Statement | 110,547 |

| 31 March 2019 £000 | Pensions Assets and Liabilities Recognised in the Balance Sheet | 31 March 2020 £000 |
|--------------------------|--|--------------------------|
| 487,223 | Fair Value of Employer Assets | 460,698 |
| (796,685) | Present Value of Funded Liabilities | (662,350) |
| (22,573) | Present Value of Unfunded Liabilities | (19,836) |
| (332,035) | Total net liability | (221,488) |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £221m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 15, page 47. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

| 31 March 2019 £000 | Reconciliation of the Fair Value of the Scheme Assets | 31 March 2020 £000 |
|--------------------------|--|--------------------------|
| 456,983 | Opening fair value of Scheme Assets | 487,223 |
| 12,334 | Interest Income | 11,678 |
| 17,707 | Return on plan assets, excluding the amount included in the net interest expense | (35,450) |
| (189) | Effect of Settlements | (1,840) |
| 14,410 | Contributions from Employer | 13,983 |
| (1) | Adjustment for Actuarial estimated Employer Contributions | 69 |
| 3,559 | Contributions from Employees | 3,539 |
| (17,580) | Benefits Paid | (18,504) |
| 487,223 | Closing Fair Value of Scheme Assets | 460,698 |

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

| 31 March 2019 £000 | Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation) | 31 March 2020 £000 |
|--------------------------|---|--------------------------|
| 728,321 | Opening Liability at 1 April | 819,258 |
| 20,888 | Current Service Cost | 25,170 |
| 19,756 | Interest Cost | 19,750 |
| 3,559 | Contributions from Scheme Participants | 3,539 |
| 62,946 | Actuarial gains/losses arising from changes in financial assumptions | (64,313) |
| - | Actuarial gains/losses arising from changes in demographic assumptions | (16,886) |
| 816 | Other experience | (81,170) |
| (838) | Liabilities Extinguished on Settlements | (4,770) |
| 1,390 | Past Service Costs including curtailments | 112 |
| (17,580) | Benefits Paid | (18,504) |
| 819,258 | Closing Liability at 31 March | 682,186 |

In line with the Accounting Standard, the 'Other experience' liability item in the table above is identified separately in the Pensions Note however the asset 'experience' item is included in the re-measurement 'return on assets' item shown in the Other Comprehensive Income. In non-valuation years, the 'return on assets' item reflects the difference between actual returns over the year and the expected return (recognised in the Profit and Loss as the interest income on assets) The 2019/20 'excess return on assets' may appear unusual but this is due to the inclusion of any asset re-measurement experience from the 2019 formal actuarial valuations 'step change'.

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 2019 £000 | Local Government Pension Scheme Assets comprised | 31 March 2020 £000 |
|--------------------------|---|--------------------------|
| | Equity Securities | |
| 14,720 | Consumer | - |
| 8,769 | Manufacturing | - |
| 10,232 | Energy and Utilities | - |
| 18,315 | Financial Institutions | - |
| 2,948 | Health and Care | - |
| 2,592 | Information Technology | - |
| 57,576 | Sub-total equity | - |
| 12,086 | Debt Securities – Government Bonds | 20,537 |
| - | Real Estate | 31,427 |
| 36,890 | Private Equity | 32,849 |
| | Investment Funds and Unit Trusts | |
| 272,938 | Equities | 302,928 |
| 45,277 | Bonds | 31,522 |
| 20,279 | Infrastructure | 35,511 |
| 36,143 | Other | 70 |
| 374,637 | Sub-total Investment Funds and Unit Trusts | 370,031 |
| 6,034 | Cash and Cash Equivalents | 5,854 |
| 487,223 | Total Assets | 460,698 |

Basis for estimating assets and liabilities

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

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

The valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges and fire fighters’ schemes as part of the reforms amounted to unlawful discrimination and therefore the changes have now been accounted for in 2019/20 Actuarial Report.

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

| 31 March 2019 | Long-term expected rate of return on assets in the scheme | 31 March 2020 |
|------------------|--|------------------|
| 2.4% | Equity Investments | 2.4% |
| 2.4% | Bonds | 2.4% |
| 2.4% | Property | 2.4% |
| 2.4% | Cash | 2.4% |
| | Mortality Assumptions | |
| | Longevity at 65 for Current Pensioners: | |
| 22.4 | Men (years) | 22.0 |
| 24.4 | Women (years) | 24.0 |
| | Longevity at 65 for Future Pensioners: | |
| 24.0 | Men (years) | 22.7 |
| 26.3 | Women (years) | 25.5 |
| | Financial Assumptions | |
| 3.4% | Rate of inflation | 2.7% |
| 2.5% | Rate of increase in pensions | 1.9% |
| 2.8% | Rate of increase in salaries | 2.4% |
| 2.4% | Rate for discounting scheme liabilities | 2.3% |
| 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 | 64.0% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 43.

Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2019, and their recommendations have been implemented from April 2020. The actuary has recommended a combination of a stable employer contribution percentage at 17.4% along with a cash lump sum

into the fund of £1.9m for the current and following two years. The Council anticipates to pay £12.7m expected contributions to the scheme in 2020/21 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2022 the results of which will be implemented in 2023/24 financial year.

8 Officers' Remuneration

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

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

The Council shares a number of posts with Cambridgeshire County Council (CCC), see Note 12. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are not included in this note.

The Council acted as employer for 29 staff working for Cambridgeshire and Peterborough Combined Authority (CPCA) for April 2019 only, as they transferred to sole CPCA employment on 1 May 2019. The cost of these employees are charged to CPCA in full. Further information can be found at <https://cambridgeshirepeterborough-ca.gov.uk/>.

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 2019/20 was approved on 6 March 2019.

| 2018/19 No. of Employees | | | | Remuneration Band | 2019/20 No. of Employees | | | |
|-----------------------------|-----------|-----------|------------|---------------------|-----------------------------|-----------|----------|------------|
| Non Schls | Schls | CPCA | Total | | Non Schls | Schls | CPCA | Total |
| 29 | 25 | - | 54 | £50,000 - £54,999 | 46 | 34 | - | 80 |
| 17 | 16 | 1 | 34 | £55,000 - £59,999 | 23 | 13 | - | 36 |
| 10 | 15 | 1 | 26 | £60,000 - £64,999 | 15 | 14 | - | 29 |
| 10 | 7 | 2 | 19 | £65,000 - £69,999 | 10 | 9 | - | 19 |
| 8 | 10 | - | 18 | £70,000 - £74,999 | 3 | 12 | - | 15 |
| 3 | 4 | 3 | 10 | £75,000 - £79,999 | 10 | 2 | - | 12 |
| 5 | 4 | 1 | 10 | £80,000 - £84,999 | 4 | 2 | - | 6 |
| 4 | 2 | - | 6 | £85,000 - £89,999 | 3 | 3 | - | 6 |
| 1 | 2 | - | 3 | £90,000 - £94,999 | 2 | 2 | - | 4 |
| - | 2 | - | 2 | £95,000 - £99,999 | - | 1 | - | 1 |
| 1 | - | - | 1 | £100,000 - £104,999 | 1 | 4 | - | 5 |
| 1 | 2 | 1 | 4 | £105,000 - £109,999 | 2 | - | - | 2 |
| - | 1 | - | 1 | £110,000 - £114,999 | - | 1 | - | 1 |
| 3 | - | - | 3 | £120,000 - £124,999 | 1 | - | - | 1 |
| - | - | - | - | £125,000 - £129,999 | 2 | - | - | 2 |
| - | 1 | - | 1 | £130,000 - £134,999 | - | 1 | - | 1 |
| 1 | - | 1 | 2 | £140,000 - £144,999 | - | - | - | - |
| 1 | - | - | 1 | £145,000 - £149,999 | 1 | - | - | 1 |
| - | - | - | - | £150,000 - £154,999 | - | 1 | - | 1 |
| 1 | - | - | 1 | £170,000 - £174,999 | - | - | - | - |
| - | - | - | - | £175,000 - £179,999 | 1 | - | - | 1 |
| - | - | 1 | 1 | £195,000 - £199,999 | - | - | - | - |
| 1 | - | - | 1 | £220,000 - £224,999 | - | - | - | - |
| 96 | 91 | 11 | 198 | Total | 124 | 99 | - | 223 |

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 2019/20 or 2018/19.

| Post Holder | Year | PCC Salary Cost ¹ | Election duties ² | Total Remuneration (exc. Pension contributions) | Pension Contributions (employers) ³ | Total Remuneration (inc. Pension contributions) | Actual Final Cost to PCC ¹ |
|---|---------|------------------------------|------------------------------|---|--|---|---------------------------------------|
| Chief Executive G Beasley see Note A | 2019/20 | £85,798 | £6,900 | £178,497 | £29,013 | £207,509 | £107,205 |
| | 2018/19 | £86,799* | £373 | £173,971 | £29,376 | £203,346 | £101,860 |
| Corporate Director: People & Communities see Note A | 2019/20 | £74,027 | £1,710 | £149,764 | - | £149,764 | £75,737 |
| | 2018/19 | £72,576 | £350 | £145,502 | £6,262 | £151,764 | £76,057 |
| Acting Corporate Director: Resources From 30 March 2018 see Note B | 2019/20 | £123,966 | £1,960 | £125,926 | £21,570 | £147,496 | £147,496 |
| | 2018/19 | £121,535* | £200 | £121,735 | £21,147 | £142,882 | £142,882 |
| Assistant Director of HR and Development see Note C | 2019/20 | £82,649 | £3,372 | £86,021 | £14,381 | £100,402 | £100,402 |
| | 2018/19 | £81,029 | £1,145 | £82,174 | £14,099 | £96,273 | £96,273 |

1. Salary is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details. The actual final cost to PCC is shown in the final column following recharges to Cambridgeshire County Council.
2. Payment for election duties depend on the elections overseen in the year. During 2018/19 there was a local by-election, during 2019/20 there were local elections, a general election, a by-election and the European Election. The General Election costs are funded by the Electoral Commission.
3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.

*Includes Basic Salary Arrears

Notes to the Senior Employees Remuneration table

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

A similar arrangement is in place for the Director of Public Health, Director of Governance, Executive Director of Place &

Economy, Director of Customer & Digital Services and Director of Business Improvement & Development but as these posts are employed by CCC they are shown in the table overleaf.

B – The Corporate Director Resources: From 30 March 2018 the post is being covered by an internal acting up arrangement.

C - The Assistant Director of HR and Development is disclosed in the table from 1 July 2017 in accordance with the Accounts

and Audit Regulations 2015 as they report directly to the Chief Executive from this date.

The following table shows the costs of the Directors who are employed and shared with CCC.

| Post Holder | Year | Salary |
|--|-----------------|---------|
| Director of Public Health | 2019/20 | £63,459 |
| | 2018/19 | £52,632 |
| Director of Governance | 2019/20 | £66,763 |
| | From 01/11/18 | £61,250 |
| Executive Director of Place & Economy | 2019/20 | £79,617 |
| Director of Customer & Digital Services | 2019/20 | £75,382 |
| | From 01/01/2019 | £16,250 |
| Director of Business Improvement & Development | 2019/20 | £82,314 |
| | From 01/01/2019 | £19,625 |

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

| 2018/19 | Other Operating Income & Expenditure | 2019/20 |
|--------------|--|--------------|
| £000 | | £000 |
| 586 | Parish Council Precepts | 672 |
| 627 | Drainage & Flood Levies | 648 |
| - | Integrated Transport Authority Levy (Note 12) | 3,631 |
| 2 | Payments to the Government Housing Capital Receipts Pool (Note 15) | - |
| 3,244 | Net (Gains) / Losses on Disposal of Non-Current Assets | 2,976 |
| (1,220) | Gains on Former Right To Buy Assets | (1,168) |
| 3,239 | Total | 6,759 |

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

| 2018/19 | Financing & Investment Income & Expenditure | 2019/20 |
|---------------|--|---------------|
| £000 | | £000 |
| 17,704 | Interest Payable & Similar Charges (Note 27) | 18,495 |
| (1,991) | Interest Receivable & Similar Income (Note 27) | (1,498) |
| (201) | Other Investment Income | (478) |
| 7,422 | Pension Interest Cost & Expected Return on Pension Assets (Note 7) | 8,072 |
| (1,099) | (Gains) / Losses on Trading Operations | (1,237) |
| (1,088) | (Gains) / Losses in Fair Value of Investment Properties (Note 18) | 1,538 |
| 1,035 | Impairment and Derecognition of Current Assets and Long Term Debtors | 488 |
| 75,081 | De-recognition of Subsidiary Assets | 5,022 |
| 96,863 | Total | 30,402 |

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

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

| 2018/19 | Taxation & Non-Specific Grant Income | 2019/20 |
|------------------|---|------------------|
| £000 | | £000 |
| | Taxation Income | |
| (74,599) | Council Tax Income | (78,415) |
| 272 | NDR Levy Payment | 404 |
| 2,370 | NDR Tariff Payment | 2,424 |
| (45,454) | NDR Income | (48,188) |
| (117,411) | Total Taxation Income | (123,775) |
| | Non-Specific Government Grants | |
| (15,056) | Revenue Support Grant | (10,246) |
| (5,153) | New Homes Bonus | (4,713) |
| (4,234) | Section 31 Grant | (10,265) |
| (24,443) | Total Non-Specific Government Grants | (25,224) |
| (21,647) | Capital Grants & Contributions (Note 24) | (26,974) |
| (163,501) | Total Income | (175,973) |

12 Related Parties

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

The disclosures do not include transactions with related parties that the Council has no discretion over such as council tax and rates payments, the award of benefits and Nursery Education

Funding payments whose terms apply commonly across the local population and for which the related party would have a duty or entitlement if the relationship did not exist.

Central Government

The UK Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the table of Expenditure and Income Analysed by Nature in Note 14.

Members

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2019/20 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 three declarations of related party interests was not received by 15 May 2020.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2019/20 is shown in Note 4.

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

Councillors have not been involved in the decision to award the contracts.

- Cllr M Nadeem is Director of Nadeem Construction Ltd which the Council paid £57k under a contract for Care & Repair services.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £133k for services during 2019/20.
- Cllr J Goodwin is a partner of Worldwide Training Partnership which the Council paid £33k for services during 2019/20.

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 2019/20 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 2019/20 the Council spent £2,593k on services with Vivacity (2018/19 £2,360k) and received £1,333k from Vivacity for services (2018/19 £1,281k).

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

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

- Legal services to Rutland County Council and Fenland District Council
- Regulatory services to Rutland County Council
- Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council
- Neighbourhood planning service to North Kesteven District Council, East Cambridgeshire District Council and to December 2019 South Kesteven District Council
- Health and safety services to Rutland County Council up to November 2019
- CCTV services to Fenland District Council from January 2020
- S106 Viability Service to Fenland District Council and to December 2019 a Planning Development Management service

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 2019/20 the Council paid £8,068k to CCC (2018/19 £3,019k) and received £3,095k from CCC (2018/19 £3,319k).

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017 and from 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and regulations came into force in October 2018 enabling the CPCA to levy the Council for the cost of delivering transport functions. During 2019/20 the services were delivered through both Cambridgeshire County and Peterborough City Councils and the levy charged was equal to the budgeted cost for these services. The Council has been providing 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 acted as employer for 38 CPCA staff. These staff transferred to sole CPCA employment from 1 May 2019. During 2019/20 the Council received £3,234k from CPCA for services provided, costs incurred and grants (£3,592k 2018/19).

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 2019/20 the amount raised was £8k (2018/19 £17k).

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

13 Interest in Companies and Partnerships

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

Opportunity Peterborough Limited

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

The net assets of the company are £253k (2018/19 £199k) and it made a profit in year of £52k (2018/19 £53k) The Council made a funding contribution to the company of £140k (2018/19 £190k).

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 2020 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled by the Council and Peterborough Partnership PCC Ltd and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors.

The net assets of the Partnership at 31 March 2020 are £1,225k (£1,894k in 2018/19) and the Partnership made a net loss in year of £269k (net profit in 2018/19 of £129k). During 2019/20 and 2018/19 the Council made no payments to the Partnership and

received £339k in 2019/20 for services and profit distribution (2018/19 £511k).

Empower Community Interest Company (CIC)

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

The net assets of the company are £11k (2018/19 £13k) and it made a loss in year of £2k (2018/19 loss of £2k)

NPS Peterborough Ltd

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

The net assets of the company are £420k (2018/19 £222k) and it made a profit in year of £198k (2018/19 profit of £98k). During the year the Council spent £2,277k on services with the company (2018/19 £2,168k) and received £214k for services (2018/19 £79k).

Medesham Homes LLP

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

The net assets of the partnership are £162k (2018/19 £95k) and it made a profit of £95k (2018/19 loss of £78k). During 2019/20 the Council made a capital grants totalling £7,739k to Medesham Homes LLP for the provision of homes for affordable rent (2018/19 £5,572) and received £420k for the purchase of property.

Medesham Limited

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

Peterborough Limited

Peterborough Limited 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 has been set up as a Teckal company, which means that at least 80% of its income will come from the Council. The company is limited by shares, and the share capital of the company is £1.

Peterborough Ltd has been consolidated into the Group Accounts of the Council, please see page 93 for further details.

14 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. In the following tables the 2018/19 figures have been restated to take account of changes in organisation structure during 2019/20.

| Expenditure Chargeable to the General Fund | 2018/19 | Net Expenditure in the CIES | Expenditure and Funding Analysis (EFA) | Notes (From Page 23) | 2019/20 | Net Expenditure in the CIES |
|--|--|-----------------------------|--|----------------------|--|-----------------------------|
| | Adjustments between the Funding and Accounting Basis (Note 15) | | | | Expenditure Chargeable to the General Fund | |
| £000 | £000 | £000 | | | £000 | £000 |
| 1,380 | 119 | 1,499 | Business Improvement | | 1,071 | 1,153 |
| 4,346 | 212 | 4,558 | Chief Executives | | 1,584 | 1,766 |
| 80,120 | 25,349 | 105,469 | Customer & Digital Services | | 7,784 | 7,752 |
| 31,948 | (8,148) | 23,800 | Governance | 4 | 4,393 | 4,728 |
| 23,330 | 19,871 | 43,201 | People & Communities | 1, 2, 6 | 78,777 | 101,803 |
| (61) | 33 | (28) | Place & Economy | | 18,500 | 38,227 |
| 6,877 | (152) | 6,725 | Public Health | 6 | 241 | 289 |
| 737 | 60 | 797 | Resources | 3 | 44,948 | 26,389 |
| 148,677 | 37,344 | 186,021 | Cost of Services | | 157,298 | 182,107 |
| (142,810) | 79,411 | (63,399) | Other Income & Expenditure | 9,10, 11 | (152,442) | (138,797) |
| 5,867 | 116,755 | 122,622 | (Surplus) / Deficit on Provision of Services | | 4,856 | 43,310 |
| (46,458) | | | Opening General Fund Balance | 15 | (40,591) | |
| 5,867 | | | Less/Plus (Surplus) or Deficit on General Fund Balance in Year | | 4,856 | |
| (40,591) | | | Closing General Fund Balance* | 15 | (35,735) | |

* This balance represents three usable reserves, the General Fund Balance, School's Balances and Specific Earmarked Reserves, see Note 15 for more detailed information.

| Adjustments for Capital Purposes ¹ | 2018/19 | | | Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts | Adjustments for Capital Purposes ¹ | 2019/20 | | |
|---|--|--------------------------------|-------------------|--|---|--|--------------------------------|-------------------|
| | Net change for the Pensions Adjustments ² | Other Differences ³ | Total Adjustments | | | Net change for the Pensions Adjustments ² | Other Differences ³ | Total Adjustments |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| - | 117 | 2 | 119 | Business Improvement | - | 82 | - | 82 |
| 16 | 193 | 3 | 212 | Chief Executives | - | 183 | (1) | 182 |
| 24,209 | 5,715 | (4,576) | 25,348 | Customer & Digital Services | (140) | 123 | (15) | (32) |
| 82,894 | 574 | (91,615) | (8,147) | Governance | - | 332 | 3 | 335 |
| 19,060 | 462 | 349 | 19,871 | People & Communities | 12,835 | 9,050 | 1,141 | 23,026 |
| - | 32 | 1 | 33 | Place & Economy | 18,908 | 704 | 115 | 19,727 |
| (202) | 66 | (16) | (152) | Public Health | - | 47 | 1 | 48 |
| - | 59 | 1 | 60 | Resources | 13,021 | (2,154) | (29,426) | (18,559) |
| 125,977 | 7,218 | (95,851) | 37,344 | Cost of Services | 44,624 | 8,367 | (28,182) | 24,809 |
| (23,952) | 7,422 | 95,941 | 79,411 | Other income and expenditure from the EFA | (21,025) | 8,076 | 26,594 | 13,645 |
| 102,025 | 14,640 | 90 | 116,755 | Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services | 23,599 | 16,443 | (1,588) | 38,454 |

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 including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

| Revenues from External Customers £000 | 2018/19* | | Segmental analysis of certain Items of Income and Expenditure shown net in the EFA | Revenues from External Customers £000 | 2019/20 | |
|--|--------------------------|--------------------------|--|--|--------------------------|--------------------------|
| | Interest Revenue £000 | Interest Expense £000 | | | Interest Revenue £000 | Interest Expense £000 |
| (76) | 0 | - | Business Improvement | (15) | - | - |
| (435) | 0 | - | Chief Executives | (294) | - | - |
| (907) | 0 | 16 | Customer & Digital Services | (849) | - | 14 |
| (894) | 0 | - | Governance | (952) | - | - |
| (56,216) | (6) | 248 | People & Communities | (50,286) | (11) | 327 |
| (13,870) | (1) | 621 | Place & Economy | (13,969) | (1,378) | 549 |
| (202) | 0 | - | Public Health | (380) | - | - |
| (16,455) | (1,985) | 16,819 | Resources | (14,561) | (109) | 17,605 |
| (89,055) | (1,992) | 17,704 | Total in Cost of Services | (81,306) | (1,498) | 18,495 |

| 2018/19* | Expenditure & Income Analysed by Nature | 2019/20 |
|------------------|---|------------------|
| £000 | | £000 |
| 130,991 | Expenditure Employee Expenses | 126,489 |
| 13,237 | Employee Expenses (Voluntary Aided and Foundation Schools) ¹ | 12,866 |
| 412,199 | Other Service Expenses | 313,348 |
| 29,450 | Depreciation, Amortisation & Impairment | 27,348 |
| 17,704 | Interest Payments (Note 10) | 18,495 |
| - | Loss in Fair Value of Investment Properties | 1,538 |
| 1,213 | Precepts & Levies (Note 9) | 4,951 |
| 2 | Payments to Housing Capital Receipts Pool | - |
| 604,796 | Total Expenditure | 505,035 |
| | Income | |
| (89,055) | Fees, Charges & Other Service Income | (81,306) |
| (9,661) | Capital Receipts (Note 15) | (1,991) |
| (1,088) | Gain in Fair Value of Investment Properties | - |
| (2,192) | Interest & Investment Income (Note 27) | (1,976) |
| (74,599) | Income from Council Tax (Note 11) | (78,415) |
| (45,454) | NDR Income (Note 11) | (48,188) |
| (260,125) | Government Grants & Other Contributions | (249,849) |
| (482,174) | Total Income | (461,725) |
| 122,622 | Deficit / (Surplus) on the Provision of | 43,310 |

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

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

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

- General Fund Balance - is the statutory fund into which all the receipts of the Council are required to be 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 2019/20 | Usable Reserves | | | Movement in Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| Adjustments involving the Capital Adjustment Account: | £000 | £000 | £000 | £000 |
| <u>Reversal of items debited or credited to the CIES:</u> | | | | |
| Depreciation & impairment of non-current assets | (24,070) | - | - | 24,070 |
| Revaluation losses on Property Plant and Equipment | (4,431) | - | - | 4,431 |
| Movements in the fair value of Investment Properties | (1,538) | - | - | 1,538 |
| Amortisation of intangible assets | (3,278) | - | - | 3,278 |
| Capital grants and contributions | 35,453 | - | - | (35,453) |
| Revenue expenditure funded from capital under statute | (24,529) | - | - | 24,529 |
| Impairment of Financial Asset (Loans) | - | - | - | - |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES | (9,737) | - | - | 9,737 |
| <u>Insertion of items not debited or credited to the CIES:</u> | | | | |
| Statutory provision for the financing of capital investment | 5,918 | - | - | (5,918) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants & contributions unapplied from the CIES | 620 | - | (620) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | 772 | (772) |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES | 1,991 | (1,991) | - | - |
| Redemption of Financial Assets (Loans) | - | - | - | - |
| Use of the reserve to finance capital expenditure | - | - | - | - |
| Capital Receipts used for the repayment of loans | - | 10,874 | - | (10,874) |
| Contribution from the reserve to finance the payments to the Government capital receipts pool. | - | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | (1,220) | - | 1,220 |
| Adjustments 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 | - | - | - | - |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | 10 | - | - | (10) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (30,424) | - | - | 30,424 |
| Employer's pensions contributions & direct payments to pensioners payable in the year | 13,983 | - | - | (13,983) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | 166 | - | - | (166) |
| Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements | 1,956 | - | - | (1,956) |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account: | | | | |
| Adjustments for short-term compensated absences | (544) | - | - | 544 |
| Total Adjustments | (38,454) | 7,663 | 152 | 30,639 |

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

- **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.

| <i>1 April 2018</i> | <i>Movement</i> | <i>31 March 2019</i> | Summary of Usable and Unusable Reserves | 1 April 2019 | Movement | 31 March 2020 |
|---------------------|-----------------|----------------------|--|---------------------|------------------|----------------------|
| <i>£000</i> | <i>£000</i> | <i>£000</i> | | £000 | £000 | £000 |
| | | | Usable Reserves | | | |
| (6,000) | - | (6,000) | General Fund Balance | (6,000) | 888 | (5,112) |
| (5,559) | 2,185 | (3,374) | School's Balances | (3,374) | 215 | (3,159) |
| (34,899) | 3,682 | (31,217) | Specific Earmarked Reserves (Note 16) | (31,217) | 3,753 | (27,464) |
| - | (7,663) | (7,663) | Capital Receipts Reserve | (7,663) | 7,663 | - |
| (1,216) | 106 | (1,110) | Capital Grants Unapplied Account | (1,110) | 152 | (958) |
| (47,674) | (1,690) | (49,364) | Total Usable Reserves | (49,364) | 12,671 | (36,693) |
| | | | Unusable Reserves | | | |
| (152,296) | 19,559 | (132,737) | Revaluation Reserve | (132,737) | (16,423) | (149,160) |
| 26,657 | 75,258 | 101,915 | Capital Adjustment Account | 101,915 | 7,342 | 109,257 |
| (10,420) | 9,193 | (1,227) | Deferred Capital Receipts Reserve | (1,227) | 1,220 | (7) |
| 387 | 48 | 435 | Financial Instruments Adjustment Account | 435 | (10) | 425 |
| 271,338 | 60,697 | 332,035 | Pension Reserve | 332,035 | (110,547) | 221,488 |
| (1,483) | 956 | (527) | Collection Fund Adjustment Account | (527) | (2,122) | (2,649) |
| 3,286 | (914) | 2,372 | Accumulating Compensated Absences Adjustment Account | 2,372 | 544 | 2,916 |
| 137,469 | 164,797 | 302,266 | Total Unusable Reserves | 302,266 | (119,996) | 182,270 |
| 89,795 | 163,107 | 252,902 | Total Usable and Unusable Reserves | 252,902 | (107,325) | 145,577 |

- **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).

| 2018/19 £000 | Revaluation Reserve: | 2019/20 £000 |
|------------------|--|------------------|
| (152,296) | Balance at start of year | (132,737) |
| (18,071) | Upward revaluation of assets | (42,863) |
| 12,500 | Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services | 19,216 |
| 2,801 | Difference between fair value depreciation & historical cost depreciation | 2,283 |
| 22,329 | Release of revaluation gains on disposal | 4,941 |
| <u>(132,737)</u> | Balance at end of the year | <u>(149,160)</u> |

- **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.

| 2018/19 £000 | Capital Adjustment Account: | 2019/20 £000 |
|-----------------|--|-----------------|
| 26,657 | Balance at start of year | 101,915 |
| 27,048 | Charges for depreciation & Impairment | 24,070 |
| 17,989 | Revaluation (gains) / losses on Property, Plant & Equipment | 4,431 |
| (1,088) | Movement in fair market value of Investment Properties | 1,538 |
| 2,402 | Amortisation of Intangible Assets | 3,278 |
| (38,000) | Capital Grants & Contributions that have been applied to Capital Financing | (35,453) |
| (895) | Application of Grants to Capital Financing from the Capital Grants Unapplied Account | (772) |
| 20,502 | Revenue Expenditure Funded from Capital under Statue (REFCUS) | 18,965 |
| - | Capital Direction | 5,564 |
| 83,740 | Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES | 9,737 |
| 105 | Impairment of Empower Loan | - |
| 8,200 | Redemption of Financial Assets (Loans) | - |
| (8,200) | Transfer from Useable Capital Receipts | - |
| (11,189) | Use of Capital Receipts to Repay Loans | (10,874) |
| (226) | Revenue Provision for the Repayment of Loans | (5,918) |
| (2,801) | Depreciation & Impairment written down to Revaluation Reserve | (2,283) |
| (22,329) | Transfer of Revaluation Reserve on disposal | (4,941) |
| <u>101,915</u> | Balance at end of the year | <u>109,257</u> |

- **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.

| 2018/19 £000 | Deferred Capital Receipts Reserve: | 2019/20 £000 |
|-----------------|--|-----------------|
| (10,420) | Balance at start of year | (1,227) |
| (1,220) | Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement | - |
| 10,413 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1,220 |
| <u>(1,227)</u> | Balance at end of the year | <u>(7)</u> |

- **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.

| 2018/19 £000 | Financial Instruments Adjustment Account: | 2019/20 £000 |
|-----------------|--|-----------------|
| 387 | Balance at start of year | 435 |
| 48 | Interest Paid on Short Term Loans | (10) |
| <u>435</u> | Balance at end of the year | <u>425</u> |

- **Pensions Reserve**

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

| 2018/19 £000 | Pensions Reserve: | 2019/20 £000 |
|-----------------|---|-----------------|
| 271,338 | Balance at start of year | 332,035 |
| 46,056 | Actuarial gains / losses on pension assets & liabilities (Note 7) | (126,988) |
| 29,051 | 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) | 30,424 |
| (14,410) | Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7) | (13,983) |
| <u>332,035</u> | Balance at end of the Year | <u>221,488</u> |

- **Collection Fund Adjustment Account**

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

| 2018/19 £000 | Collection Fund Adjustment Account: | 2019/20 £000 |
|-----------------|--|-----------------|
| (1,483) | Balance at start of year | (527) |
| 611 | Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements | (166) |
| 345 | Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements | (1,956) |
| <u>(527)</u> | Balance at end of the Year | <u>(2,649)</u> |

- **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.

| 2018/19 £000 | Accumulating Compensated Absences Adjustment Account: | 2019/20 £000 |
|-----------------|--|-----------------|
| 3,286 | Balance at start of year | 2,372 |
| (914) | Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year | 544 |
| <u>2,372</u> | Balance at end of the Year | <u>2,916</u> |

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

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

| General Fund Earmarked Reserves | 31 March 2019 £000 | Transfers Out £000 | Transfers In £000 | Movement between Reserves £000 | 31 March 2020 £000 | Purpose of the Earmarked Reserve |
|---------------------------------|-----------------------|-----------------------|----------------------|-----------------------------------|-----------------------|---|
| Departmental Reserves | 6,890 | (2,443) | 768 | (138) | 5,077 | These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use. |
| Insurance | 3,398 | (325) | - | - | 3,073 | 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 | 483 | (50) | 319 | - | 752 | School revenue reserves put aside for funding future school capital schemes. |
| Capacity Building | 14,973 | (7,022) | 3,774 | 1,268 | 12,993 | 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 | 364 | (355) | - | - | 9 | 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 | 4,214 | (3,084) | - | (1,130) | - | A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings. |
| Covid-19 Reserve | - | - | 5,332 | - | 5,332 | To be used to fund coronavirus (COVID-19) pressures across all services in 2020/21. |
| Other | 895 | (669) | 2 | - | 228 | These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves. |
| Total Reserves | 31,217 | (13,948) | 10,195 | - | 27,464 | |

17 Property, Plant and Equipment

| Property, Plant & Equipment (PPE) – 2019/20 | Other Land & Buildings | Vehicles, Plant & Equipment | Infra-structure Assets | Community Assets | Heritage Assets | Surplus Assets | Assets under Construction | Total PPE |
|--|------------------------|-----------------------------|------------------------|------------------|-----------------|----------------|---------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2019 Gross Book Value | 361,672 | 42,318 | 309,446 | 901 | 683 | 1,135 | 2,058 | 718,213 |
| Additions | 9,609 | 2,250 | 17,286 | 60 | - | - | 7,135 | 36,340 |
| Revaluation increase / (decrease) recognised in the Revaluation Reserve | 18,603 | - | - | - | - | - | - | 18,603 |
| Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services | (8,703) | - | - | - | - | - | - | (8,703) |
| Derecognition - Disposals | (8,788) | (8,341) | (358) | - | - | - | - | (17,487) |
| Reclassified Assets | (1,100) | - | - | - | - | - | - | (1,100) |
| Assets Under Construction Completed In Year | 1,429 | - | - | - | - | - | (1,455) | (26) |
| At 31 March 2020 | 372,722 | 36,227 | 326,374 | 961 | 683 | 1,135 | 7,738 | 745,840 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 01 April 2019 | (17,389) | (19,993) | (131,786) | - | - | (104) | - | (169,272) |
| Depreciation Charge | (6,799) | (5,014) | (13,558) | - | - | - | - | (25,371) |
| Depreciation written out to the Revaluation Reserve | 6,035 | - | - | - | - | - | - | 6,035 |
| Depreciation written out to the (Surplus) / Deficit on Provision of Services | 4,272 | - | - | - | - | - | - | 4,272 |
| Impairment (losses) /reversals recognised in the Revaluation Reserve | (991) | - | - | - | - | - | - | (991) |
| Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services | 1,662 | (301) | - | (60) | - | - | - | 1,301 |
| Depreciation Movement on Transfers | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | 762 | 8,323 | 143 | - | - | - | - | 9,228 |
| At 31 March 2020 | (12,448) | (16,985) | (145,201) | (60) | - | (104) | - | (174,798) |
| Net Book Value - At 31 March 2020 | 360,274 | 19,242 | 181,173 | 901 | 683 | 1,031 | 7,738 | 571,042 |
| <i>Net Book Value - At 31 March 2019</i> | <i>344,283</i> | <i>22,325</i> | <i>177,660</i> | <i>901</i> | <i>683</i> | <i>1,031</i> | <i>2,058</i> | <i>548,941</i> |

Comparative Movements in 2018/19

| <i>Property, Plant & Equipment (PPE) – 2018/19</i> | <i>Other Land & Buildings</i> | <i>Vehicles, Plant & Equipment</i> | <i>Infra-structure Assets</i> | <i>Community Assets</i> | <i>Heritage Assets</i> | <i>Surplus Assets</i> | <i>Assets under Construction</i> | <i>Total PPE</i> |
|---|-----------------------------------|--|-------------------------------|-------------------------|------------------------|-----------------------|----------------------------------|------------------|
| <i>Cost or Valuation</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| <i>At 1 April 2018 Gross Book Value</i> | 420,680 | 40,286 | 283,821 | 901 | 688 | 1,135 | 14,865 | 762,376 |
| <i>Additions</i> | 27,723 | 2,899 | 25,240 | 4 | - | - | 17,957 | 73,823 |
| <i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i> | 1,941 | - | - | - | (5) | - | - | 1,936 |
| <i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i> | (18,206) | - | - | - | - | - | - | (18,206) |
| <i>Derecognition - Disposals</i> | (90,599) | (6,353) | - | - | - | - | (5) | (96,957) |
| <i>Reclassified Assets</i> | (3,433) | - | - | - | - | - | (77) | (3,510) |
| <i>Assets Under Construction Completed In Year</i> | 23,566 | 5,486 | 385 | 1 | - | - | (30,682) | (1,244) |
| <i>At 31 March 2019</i> | 361,672 | 42,318 | 309,446 | 906 | 683 | 1,135 | 2,058 | 718,218 |
| <i>Accumulated Depreciation and Impairment</i> | | | | | | | | |
| <i>At 01 April 2018</i> | (18,900) | (20,491) | (119,366) | - | - | (104) | - | (158,861) |
| <i>Depreciation Charge</i> | (8,611) | (4,736) | (12,420) | - | - | - | - | (25,767) |
| <i>Depreciation written out to the Revaluation Reserve</i> | 3,056 | - | - | - | - | - | - | 3,056 |
| <i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i> | 233 | - | - | - | - | - | - | 233 |
| <i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i> | (119) | - | - | - | - | - | - | (119) |
| <i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i> | (1,276) | - | - | (5) | - | - | - | (1,281) |
| <i>Depreciation Movement on Transfers</i> | - | - | - | - | - | - | - | - |
| <i>Derecognition - Disposals</i> | 8,087 | 5,234 | - | - | - | - | - | 13,321 |
| <i>Assets Reclassified</i> | 141 | - | - | - | - | - | - | 141 |
| <i>At 31 March 2019</i> | (17,389) | (19,993) | (131,786) | (5) | - | (104) | - | (169,277) |
| <i>Net Book Value - At 31 March 2019</i> | 344,283 | 22,325 | 177,660 | 901 | 683 | 1,031 | 2,058 | 548,941 |
| <i>Net Book Value - At 31 March 2018</i> | 401,780 | 19,795 | 164,455 | 901 | 688 | 1,031 | 14,865 | 603,515 |

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18 Investment Properties

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

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

| 2018/19 £000 | Investment Properties | 2019/20 £000 |
|-----------------|---|-----------------|
| 21,797 | Balance at start of year | 25,676 |
| 27 | Subsequent Expenditure (Note 24) | 99 |
| 7 | Assets Under Construction Completed in Year | 26 |
| - | Disposals | (1,128) |
| 1,088 | Revaluations (Note 10) | (1,538) |
| 2,757 | (To) / From Property, Plant and Equipment | - |
| 25,676 | Balance at end of the Year | 23,135 |

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

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

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

- Level Three – significant unobservable inputs

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

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

19 Intangible Assets

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

| 31 March 2019 | Intangible Assets | Remaining Amortisation Period Years | 31 March 2020 £000 |
|------------------|------------------------|--|--------------------------|
| £000 | | | |
| 1,907 | Lot 1 Viridor Contract | 26 | 1,834 |
| 862 | Sand Martin House ICT | 2 | 573 |
| 2,769 | Total | | 2,407 |

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 2019 | Intangible Assets | 31 March 2020 |
|------------------|---|------------------|
| £000 | Balance at 1 April: | £000 |
| 20,319 | Gross Carrying Amounts | 22,581 |
| (11,341) | Accumulated Amortisation | (13,437) |
| 8,978 | Net Carrying Amount at Start of the Year | 9,144 |
| | Additions | |
| 1,351 | Purchases (Note 24) | 2,539 |
| 1,238 | Assets Under Construction Completed in Year | - |
| (2,402) | Amortisation for the period | (3,278) |
| | Disposals | |
| (326) | De-recognition - Disposals | - |
| 305 | De-recognition - Disposals (Accumulated Amortisation) | - |
| 9,144 | Net Carrying Amount at the End of Year | 8,405 |
| 22,581 | Gross Carrying Amounts | 25,120 |
| (13,437) | Accumulated Amortisation | (16,715) |
| 9,144 | Net Carrying Amount at the End of Year | 8,405 |

20 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.

| 2018/19 £000 | Assets Held for Sale - Current Assets | 2019/20 £000 |
|-----------------|---|-----------------|
| 80 | Balance at 1 April: | 1,217 |
| 698 | Revaluation Gains | 13 |
| (16) | Revaluation Losses | (13) |
| 535 | Property, Plant and Equipment Classified as Held for Sale | 1,100 |
| (84) | Assets Sold | (350) |
| | Other movements: | |
| 4 | Additions (Note 24) | 48 |
| 1,217 | Balance at end of the Year | 2,015 |

21 Capital Commitments

As at 31 March 2020 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 £11.3m, are part of the approved capital programme within the MTFs. The major commitments are:

| Description of Contract / Capital Scheme | Value of contract £000 | Value outstanding at 31/3/20 £000 |
|--|---------------------------|--------------------------------------|
| Manor Drive Primary Academy | 340 | 149 |
| Hampton Lakes Primary Free School | 6,385 | 1,898 |
| Clare Lodge - Refurbishment | 1,352 | 522 |
| Demolition of Northminster Multi-Storey Car Park | 616 | 399 |
| Oundle Road Improvement | 1,571 | 1,228 |
| Primary Public Transport | 208 | 208 |
| Access Road to New University | 200 | 149 |
| Dropped Kerb - Cheviot Avenue | 125 | 125 |
| Road and Bridges Lighting - Crabtree Paston | 183 | 106 |
| Manor Drive Primary Academy | 340 | 149 |
| Total | 11,320 | 4,933 |

22 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 2019/20 were carried out by NPS Peterborough Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year NPS Peterborough Ltd also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

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

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

The Council revalued £255.3m of Land and Buildings in 2019/20 and £161.0m in 2018/19 which is approximately 68% of the Council overall Gross Book value of the assets held in Land and Buildings.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, NPS Peterborough Ltd, consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that all are faced with an unprecedented set of circumstances on which to base a judgement.

Therefore the valuations are reported on the basis of 'material valuation uncertainty' as per the Valuation Technical and Performance Standards (VPS 3) and the Material Valuation Uncertainty Standard (VPGA 10) of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuations of these properties need to be reviewed every six months.

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

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

| Revaluation Reserve See Note 15 | Other Land & Buildings | Vehicles, Plant & Equipment | Assets Held for Sale* | Total |
|------------------------------------|------------------------------|-----------------------------------|-----------------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Valued at current value as at: | | | | |
| 31 March 2020 | 16,423 | - | - | 16,423 |
| 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 & Prior Years | 102,013 | 21 | 16,842 | 118,876 |
| Total Valuation | 147,582 | 2 | 1,576 | 149,160 |

* Assets Held for Sale includes values relating to Surplus Assets

23 Impairment Losses

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

During 2019/20 £1.1m (2018/19 £2.3m) 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.

24 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.

| 2018/19 £000 | | 2019/20 £000 |
|-----------------|--|-----------------|
| 540,082 | Opening Capital Financing Requirement | 577,427 |
| 55,866 | Property, Plant and Equipment (Note 17) | 29,205 |
| 17,957 | Assets Under Construction (AUC) (Note 17) | 7,135 |
| 27 | Investment Properties (Note 18) | 99 |
| 1,351 | Intangible Assets (Note 19) | 2,539 |
| 4 | Assets Held For Sale (Note 20) | 48 |
| 20,502 | Revenue Expenditure Funded from Capital under Statute (REFCUS) | 19,355 |
| - | Prior Year REFCUS Grant Return and Abortive Costs | (312) |
| - | Capitalisation Direction | 5,564 |
| 148 | Loans to Third Parties | 386 |
| | Sources of Finance | |
| (38,895) | Capital Grants & Contributions | (36,225) |
| (226) | Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP)) | (5,918) |
| (11,189) | Repayment of Loan debt from Capital Receipts | (10,874) |
| (8,200) | Capital Receipts – repayment of Loan | - |
| 577,427 | Closing Capital Financing Requirement | 588,429 |
| | Explanation of movements in year | |
| 35,169 | Increase in underlying need to borrow: | 27,728 |
| 13,591 | Assets acquired under finance leases | 378 |
| - | Prior Year REFCUS Grant Return and Abortive Costs | (312) |
| | Decrease in underlying need to borrow: | |
| (226) | MRP | (5,918) |
| (11,189) | Capital Receipts used to repay MRP | (10,874) |
| 37,345 | Increase in Capital Financing Requirement | 11,002 |

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

| 2018/19 £000 | Repayment of Loans Funded by: | 2019/20 £000 |
|-----------------|---------------------------------|-----------------|
| 226 | Minimum Revenue Provision | 5,918 |
| 11,189 | Capital Receipts | 10,874 |
| - | Capital Contribution | - |
| 3,176 | Previous Years Overprovision | - |
| 14,591 | Total Repayment of Loans | 16,792 |

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 2019/20 this expenditure is £19.4m compared with £20.5m in 2018/19. £6.4m of this REFCUS expenditure relates to Academies (which include the 22 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'.

| 2018/19 £000 | Reconciliation of Grant Funding Applied to Capital Financing | 2019/20 £000 |
|-----------------|---|-----------------|
| 21,647 | Grants Received in year (Note 11) | 26,974 |
| - | POIS used to fund MRP | - |
| (789) | Grants Received in year not applied in year | (620) |
| 895 | Grants Applied from Capital Grants Unapplied Account | 772 |
| | Grants used to Fund Revenue Expenditure Funded from Capital under Statute: | |
| 17,142 | In Year | 9,099 |
| 38,895 | Total Grants & Contributions applied | 36,225 |

| 2018/19 £000 | Body of Grant Funding Applied | 2019/20 £000 |
|-----------------|--|-----------------|
| 1,865 | Department for Communities & Local Government | 2,298 |
| 2,586 | Department for Transport | 90 |
| 18,243 | Department of Education | 17,231 |
| 52 | Department of Health | 72 |
| 63 | Arts Council | - |
| 6,570 | Cambridgeshire & Peterborough Combined Authority | 9,656 |
| 29,379 | Total Grants Applied | 29,347 |
| 7,670 | Section 106 Contributions | 4,581 |
| 1,846 | Third Party Contributions | 2,297 |
| 9,516 | Total Contributions applied | 6,878 |
| 38,895 | Total Grants & Contributions applied | 36,225 |

25 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 £16.6m (2018/19 £14.8m).

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 2020 (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 2020/21 | 974 | 1,994 | 5,508 | 8,476 |
| Within two to five years | 4,183 | 7,060 | 23,620 | 34,863 |
| Within six to ten years | 8,353 | 8,073 | 29,497 | 45,922 |
| Within 11 to 15 years | 10,853 | 4,618 | 33,375 | 48,846 |
| Within 16 to 18 years | 5,500 | (182) | 19,277 | 24,595 |
| Total | 29,863 | 21,563 | 111,277 | 162,702 |

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 2019 | | 31 March 2020 | |
|-----------------|---|-----------------|--|
| £000 | | £000 | |
| (31,775) | Balance brought forward | (30,786) | |
| 989 | Lease liability redemption in the year | 923 | |
| (30,786) | Value of Total Liability carried forward | (29,863) | |
| (923) | Short Term Liability | (974) | |
| (29,863) | Long Term Liability | (28,889) | |
| (30,786) | Value of Total Liability carried forward | (29,863) | |

26 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 2019 | | 31 March 2020 | |
|---------------|---------------------------------------|---------------|--|
| £000 | Council as Lessee - Finance Leases | £000 | |
| 15,435 | Other Land & Buildings | 14,994 | |
| 183 | Vehicles, Plant Furniture & Equipment | 421 | |
| <u>15,618</u> | Total | <u>15,415</u> | |

The Council has two long finance leases on Investment Properties, 33 Academy finances leases and a finance lease for Council Offices and Car Park.

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

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

| 31 March 2019 | | 31 March 2020 | |
|---------------|---|---------------|--|
| £000 | Finance Lease Liabilities (net present value of minimum lease payments) | £000 | |
| 293 | Current | 286 | |
| 15,728 | Non-current | 15,798 | |
| 43,902 | Finance costs payable in future years* | 42,279 | |
| <u>59,923</u> | Minimum lease payments | <u>58,363</u> | |

* Non-Peppercorn leases range from one to 86 years

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

| 31 March 2019 | | | 31 March 2020 | |
|--------------------|---------------------------|---|--------------------|---------------------------|
| Min. Lease Payment | Finance Lease Liabilities | Minimum lease payments | Min. Lease Payment | Finance Lease Liabilities |
| £000 | £000 | | £000 | £000 |
| 2,035 | 293 | Not later than one year | 2,054 | 286 |
| 7,549 | 775 | Later than one year & not later than five years | 7,836 | 1,068 |
| 50,339 | 14,953 | Later than five years * | 48,473 | 14,730 |
| <u>59,923</u> | <u>16,021</u> | Total | <u>58,363</u> | <u>16,084</u> |

* Non-Peppercorn leases range from one to 86 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units as well as two retail units and the second floor of the Council Offices at Sand Martin House. At 31 March 2020 the minimum payments expected to be received under these sub-leases was £606k (£308k in 2018/19).

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 2019 | | 31 March 2020 | |
|---------------|---|---------------|--|
| £000 | Council as Lessee - Operating Leases | £000 | |
| 1,568 | Not later than one year | 1,604 | |
| 5,897 | Later than one year & not later than five years | 5,620 | |
| 15,662 | Later than five years | 13,014 | |
| 23,127 | Total | 20,238 | |

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 2019 | | 31 March 2020 | |
|---------------|--------------------------------------|---------------|--|
| £000 | Council as Lessee - Operating Leases | £000 | |
| 1,525 | Minimum lease payments | 1,741 | |
| - | Contingent rents | - | |
| (68) | Sublease payment receivable | (385) | |
| 1,457 | Total | 1,356 | |

Council as Lessor - Finance Leases

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

Council as Lessor – Operating Leases

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

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

- To generate an income from property owned as investment property
 - To provide lower service costs eg Viridor – Energy for Waste
- The future minimum lease payments receivable under non-cancellable leases in future years are:

| 31 March 2019 | | 31 March 2020 | |
|---------------|---|---------------|--|
| £000 | Council as Lessor - Operating Leases | £000 | |
| 2,787 | Not later than one year | 3,501 | |
| 8,675 | Later than one year & not later than five years | 15,527 | |
| 43,887 | Later than five years* | 46,259 | |
| 55,349 | Total | 65,287 | |

* 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.

27 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:

| 2018/19 £000 | | 2019/20 £000 |
|-----------------|--|-----------------|
| | Financial Assets | |
| (1,991) | Interest Income | (1,498) |
| (201) | Other Investment Income | (478) |
| (2,192) | Total for Financial Assets (Note 10) | (1,976) |
| | Financial Liabilities | |
| 2,211 | Interest Payable Relating to PFI | 2,071 |
| 15,493 | Interest Payable on Borrowings | 16,424 |
| 17,704 | Total for Financial Liabilities (Note 10) | 18,495 |
| 15,512 | Net expenditure for the year | 16,519 |

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

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

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

| 2019 Long Term £000 | 2019 Current £000 | | 2020 Long Term £000 | 2020 Current £000 |
|------------------------------|-------------------------|---------------------------------------|------------------------------|-------------------------|
| | | Financial Instruments Balances | | |
| | | Assets at Amortised Cost: | | |
| - | 17 | Investments | - | 3 |
| - | 23,046 | Debtors – ECS Peterborough 1 LLP | - | 23,046 |
| 1,372 | 24,864 | Debtors - Loans and receivables | 2,509 | 24,846 |
| 1,372 | 47,927 | Total Assets at Amortised Cost | 2,509 | 47,895 |

| 2019 Long Term £000 | 2019 Current £000 | | 2020 Long Term £000 | 2020 Current £000 |
|------------------------------|-------------------------|--|------------------------------|-------------------------|
| | | Liabilities at Amortised Cost: | | |
| (392,087) | (65,500) | Borrowings - Financial liabilities at amortised cost | (374,587) | (103,000) |
| - | (3,562) | Accrued Interest associated with Borrowing | - | (3,457) |
| (129) | - | Long term Creditors | (120) | - |
| (45,591) | - | Long term PFI & finance lease liabilities | (44,687) | - |
| - | (4,920) | Creditor - Financial liabilities at amortised cost | - | (4,151) |
| (437,807) | (73,982) | Total Liabilities at Amortised Cost | (419,394) | (110,608) |

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

28 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 2020 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.

Covid-19 - Paragraph 2.10.2.18 of the Code establishes that when measuring fair value an authority is required to take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the 31 March 2020. This importantly establishes two issues: that the fair value measurement is at the measurement date (and not a future date) and that the measurement must reflect the market participant's views and assumptions about the pricing of an asset or a liability at that date. Fair value measurements for financial instruments and investment properties held by local authorities will need to be reviewed against the conditions and assumptions at the measurement date. This will be difficult because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs.

The Amortised Cost value includes trade debtors. The Fair Values calculated are as follows:

| 2018/19 | | Financial Liabilities | 2019/20 | |
|-------------------------|--------------------|--|-------------------------|--------------------|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| (369,587) | (467,365) | PWLB debt | (369,587) | (445,846) |
| (22,500) | (22,552) | Non-PWLB debt | (5,000) | (4,964) |
| (65,500) | (73,368) | Short term borrowing * | (103,000) | (109,533) |
| (3,562) | (3,562) | Accrued Interest associated with Borrowing | (3,457) | (3,457) |
| (3,704) | (3,704) | Short term creditors | (2,891) | (2,891) |
| (1,216) | (1,216) | Short term finance lease liability | (1,260) | (1,260) |
| (129) | (129) | Long term creditors | (120) | (120) |
| (45,591) | (59,413) | Long term PFI & finance lease liabilities | (44,687) | (56,750) |
| (511,789) | (631,309) | Total | (530,002) | (624,821) |

* 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 29 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £445.8m 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.

| 2018/19 | | Financial Assets | 2019/20 | |
|-------------------------|--------------------|-------------------------------------|-------------------------|--------------------|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| 17 | 17 | Short Term Investments | 3 | 3 |
| 23,046 | 23,046 | ECS Peterborough 1 LLP Loan | 23,046 | 23,046 |
| 15,268 | 15,268 | Total Cash and Cash Equivalent | 10,437 | 10,437 |
| 9,596 | 9,596 | Trade Debtors | 14,409 | 14,409 |
| 1,372 | 1,372 | Other Long Term Loans & Receivables | 2,509 | 2,509 |
| 49,299 | 49,299 | Total | 50,404 | 50,404 |

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

29 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 2019/20 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays) and the CCLA money market fund.

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amount 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 £9.7m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2020. 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 2020. 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 86.25p to 87.0p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2020 are £1.9m for KSF and £1.0m for HB (2018/19 £1.9m, £1.0m). Further dividends are expected in 2020/21.

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:

| 2018/19 £000 | Age of Trade Debt | 2019/20 £000 |
|-----------------|------------------------|-----------------|
| 5,754 | Less than three months | 8,887 |
| 656 | Three to six months | 436 |
| 725 | Six months to one year | 1,023 |
| 2,461 | More than one year | 4,063 |
| 9,596 | Total | 14,409 |

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:

| <i>Restated</i> 2018/19 | Maturity analysis of financial liabilities | 2019/20 |
|----------------------------|---|-------------------------|
| £000 | | £000 |
| (73,983) | Less than one year * | (110,608) |
| (18,700) | Between one and two years | (10,902) |
| (26,360) | Between two and five years | (30,280) |
| (392,747) | Between five and fifty years | (378,212) |
| <u>(511,790)</u> | Total | <u>(530,002)</u> |

* 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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 27 by £79.4m, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as 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 13. 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.

30 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.

| <i>31 March 2019</i> | Inventories | 31 March 2020 |
|--------------------------|----------------------------|--------------------------|
| <i>£000</i> | | £000 |
| 374 | Westcombe Industries Stock | 397 |
| 82 | Other Stock Balances | 64 |
| <u>456</u> | Total | <u>461</u> |

31 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows. Further details about the impact of Covid-19 on debtors can be found in Note 42.

| 31 March 2019 | Debtors (Each item is net of impairment) | 31 March 2020 |
|------------------|--|------------------|
| £000 | | £000 |
| 12,952 | Cambridgeshire & Peterborough CCG | 9,228 |
| 673 | Cambridgeshire & Peterborough Combined Authority | 2,674 |
| 1,673 | Capital Funding Contributions | 1,284 |
| 3,544 | Central Government Departments | 5,719 |
| 8,047 | Council Tax Arrears | 9,127 |
| 1,630 | Cross Keys Homes | 1,477 |
| 2,138 | Housing Benefit Overpayments | 1,247 |
| 2,080 | NNDR Arrears | 1,609 |
| 526 | Other NHS Organisations | 1,594 |
| 6,186 | Payments in Advance | 7,956 |
| 1,269 | Commercial Property Rent Arrears | 2,108 |
| 12,935 | General Debtors | 16,017 |
| 53,653 | | 60,040 |
| 23,046 | Outstanding Balances on Loans Granted ECS Peterborough 1 LLP (Notes 13, 27) | 23,046 |
| - | Local Authority Mortgage Scheme Loan | - |
| 76,699 | Total Debtors | 83,086 |

32 Creditors

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

| 31 March 2019 | Creditors | 31 March 2020 |
|------------------|---|------------------|
| £000 | | £000 |
| (1,062) | Council Tax Overpaid | (1,857) |
| (1,005) | Council Tax Prepaid | (1,401) |
| (2,610) | NDR Overpaid | (2,470) |
| (1,159) | NDR Prepaid | (635) |
| (6,981) | NDR Preceptors | (8,176) |
| (8,769) | Deposits / Receipts in Advance | (13,395) |
| (2,372) | Accrual Accumulated Absences (Note 15) | (2,916) |
| (1,216) | Short Term Finance Lease Liabilities (Note 26) | (1,260) |
| (38,583) | General Creditors | (37,053) |
| (63,757) | Total Creditors | (69,163) |

33 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 2019 | Additional Provision | Payment from Provision | Released back to CIES | Transfer between long term & short term | 31 March 2020 |
|---|------------------|-------------------------|------------------------------|-----------------------------|--|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Short Term Provisions | | | | | | |
| <u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain. | (863) | - | - | - | (441) | (1,304) |
| <u>Voluntary Redundancy Provision</u> – redundancy related payments, regarding decisions made in 2019/20 but which will be paid in 2020/21 | - | (1,028) | - | - | - | (1,028) |
| <u>Carbon Reduction Commitment Scheme (CRC)</u> - the obligation of the Council for the purchase of CRC allowances for 2018/19 which was the final year of the scheme. | (165) | - | 128 | 37 | - | - |
| <u>Climate Change Levy (CCL)</u> - estimated liability for 2017/18 and 2018/19 | (634) | | 195 | 439 | | - |
| <u>CAY Pensions Costs</u> – Pre 1980 Pension Contributions obligation for 2019/20 but not paid | - | (560) | | | | (560) |
| <u>Non Domestic Rate Appeals Provision</u> – see Collection Fund for further details | (7,426) | (2,298) | 1,714 | 728 | - | (7,282) |
| Total Short Term Provisions | (9,088) | (3,886) | 2,037 | 1,204 | (441) | (10,174) |
| Long Term Provisions | | | | | | |
| <u>Insurance Claims</u> – see above comments | (175) | (885) | 263 | - | 441 | (356) |
| Total Short and Long Term Provisions | (9,263) | (4,771) | 2,300 | 1,204 | - | (10,530) |

34 Capital Grants Receipts in Advance

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

| 31 March 2019 | Capital Grants Receipts in Advance £000 | 31 March 2020 £000 |
|------------------|---|--------------------------|
| (2,739) | Department of Education | (1,334) |
| (8) | Department for Transport | (419) |
| (1,464) | Cambridgeshire & Peterborough Combined Authority | (2,222) |
| (545) | Homes and Communities Agency (HCA) | (545) |
| (509) | Disabled Facilities Grant | (181) |
| (478) | Other Third Party Contributions | (19) |
| - | Community Infrastructure Levy (CIL) | (203) |
| (14,153) | Section 106 Contributions | (14,715) |
| <u>(19,896)</u> | Total Capital Grants Receipts in | (19,638) |

35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2018/19 £000 | Cash Flow Statement – Operating Activities | 2019/20 £000 |
|-----------------|--|-----------------|
| (646) | Interest Received | (126) |
| 17,933 | Interest Paid | 16,718 |

36 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

| Restated 2018/19 £000 | Cash Flow Statement – Investing Activities | 2019/20 £000 |
|-----------------------------|---|-----------------|
| 59,739 | Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets | 41,617 |
| 21,232 | Other Payments for Investing Activities | 19,756 |
| (17,458) | Proceeds from the Sale of Property, Plant & Equipment, Investment Property | (822) |
| (7,205) | Proceeds from Short and Long Term Investments | (15) |
| <u>56,308</u> | Net cash flows from investing activities | 60,536 |

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

37 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

| 2018/19 £000 | Cash Flow Statement – Financing Activities | 2019/20 £000 |
|-----------------|--|-----------------|
| (60,000) | Cash Receipts of Short & Long Term Borrowing | (37,500) |
| 23,891 | Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts | 18,739 |
| (3,031) | Other Payments for Financing Activities | (1,632) |
| <u>(39,140)</u> | Net cash flows from financing activities | (20,393) |

38 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.

| 2018/19 | Cash Flow Statement – Cash and Cash Equivalents | 2019/20 |
|---------------|---|---------------|
| £000 | | £000 |
| 15,000 | Short Term Cash Investments | 9,700 |
| 44 | Petty Cash & Imprest | 38 |
| 224 | Bank Current Accounts | 699 |
| 15,268 | Total Cash & Cash Equivalents | 10,437 |

39 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 2020 was £16,716 (£16,674 at 31 March 2019). 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 £17,633 at 31 March 2020 (£17,589 at 31 March 2019) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 252 adults and older people (225 at 31 March 2019). The total Client funds at 31 March 2020 was £2.7m (£2.5m at 31 March 2019).

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.

40 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;

- The Supreme Court is currently considering the appeal of "The Mencap Society v Tomlinson-Blake" which relates to whether home workers who are required to remain at home in their shift and/or residential care workers who "sleep in" are entitled to the national minimum wage for the time that is not spent actually performing some specific activity. If this appeal is successful there is a possibility that care providers may be required to pay the resulting costs backdated six years. Whilst this does not directly impact the Council, the financial impact on the care providers it had contracted with will be considerable and the Council may be required to provide some mitigation towards those costs.

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

The standards which have been introduced by the 2020/21 Code and will be effective from 1 April 2020 are as follows:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: This amendment clarifies when the Council would apply IFRS9 to long term interests in associates or joint ventures. It will have no impact on the financial statements as joint ventures are considered under Group Accounting requirements and consolidated using the equity method if material.
- Amendments to IAS 19 Employee Benefits: This amendment specifies how a the Council determines pension expenses when changes to a defined benefit pension plan occur . The Council's 2019/20 pension fund statement is based on the

formal valuation undertaken in 2019, therefore only amendments curtailments or settlements in this financial year are relevant when looking at the impact of the implementation of the amendment to IAS 19. There have been no major changes within the Council in this financial year therefore re-statement by the Actuary to quantify the impact on the accounts is considered not to be material.

- Amendments to IFRS 3 Business Combinations. This amendment clarifies the measurement of the fair value of joint operations when they become controlled. It will not have any impact on the financial statements as the Council did not take control of a joint operation in the financial year 2019/20.
- Amendments to IAS 12 Income Taxes. This amendment relates to the income tax recognition of dividends received and as Council is not subject to income tax this amendment will not apply to its single entity accounts
- Amendments to IAS 23 Borrowing Costs. This relates to the specification for calculation for borrowing costs which can be capitalised when a "weighted average" borrowing cost is used. It is not the Council's policy to capitalise borrowing costs, therefore this amendment will have no impact on the financial statements.

42 Critical Judgements in Applying Accounting Policies

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

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their

own 'free schools'. Within the Peterborough area some schools have Academy status, with a further four transferring status during 2019/20. 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 | 14 | 4 | 5 | 35 | 58 |
| Secondary Schools | 1 | - | 1 | 9 | 11 |
| All through Schools | - | - | - | 3 | 3 |
| Special Schools | 4 | - | - | 1 | 5 |
| Total | 20 | 4 | 6 | 48 | 78 |

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council treats this expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This results in the capital expenditure being shown in the Comprehensive Income and Expenditure Statement in the period in which it is incurred with a corresponding entry made from the Capital Adjustment

Account, which is an unusable reserve, so there is no overall impact to the General Fund balance;

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2020 of £0.8m) 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 2020. 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 Council's 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 22, page 54;
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties

earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 18, page 52;

- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments. Further information on lease arrangements in place can be found in Note 26, pages 57;
- The Council has ten arrangements which it has considered against the Group Accounting criteria. The Council has not included nine of these arrangements within the Group Accounts Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 12. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS

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

- In common with many local authorities the Council received an application for mandatory business rate relief from a NHS trust. The legal case was heard by the High Court in December 2019 and was found against the Trust, however following the decision the Trust has requested leave to appeal. The Council considers the advice it received initially from the Local Government Association and the opinion from leading counsel, which determined that the claim had no basis, remains valid and therefore considers no disclosure is required elsewhere in the Statement of Accounts.
- COVID-19 - On the 31 March 2020 there were unprecedented circumstances in place due to the physical and economic impact of COVID-19 within the UK and the rest of the world. At the time these financial statements were prepared it was too soon to evaluate the effect of this and to make appropriate and considered adjustments. Measures to alleviate the difficulties businesses and the economy were experiencing were still being announced by Central Government and amendments to legislation were also being considered to alleviate the impact of COVID-19 on the economy. The accounts therefore have been prepared with limited reference to the effect of COVID-19. An example of this is the Bad Debt provision where the Council's existing standard measures were used to calculate a prudent provision against outstanding debt. Businesses received grants and loans from the government to alleviate distress and there was no consensus of opinion as to how long the measures in place would be required to remain and if further measures would be announced by Central Government. Due to this uncertainty it was determined that there could be no meaningful

adjustments made to reflect the impact of COVID-19 on the outstanding debt.

43 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 2020 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 £225k for every year that useful life is reduced, which equates to a 3.16% increase in this year's depreciation charge. |
| Property, Plant and Equipment | Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable 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 £254k, which is 0.03% of the Council's total asset base. 4.2% 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 | The effects on net pension's liability of changes in individual assumptions can be measured. For instance, <ul style="list-style-type: none"> a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £66.1m a 0.5% increase in the salary increase rate would result in an increase in pension liability of 0.5% or £4.6m a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £61.1m |

| Item | Uncertainties | Effect if Actual results Differ from Assumptions |
|----------------|--|---|
| | reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. | <ul style="list-style-type: none"> a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5% |
| Arrears | At 31 March 2020 the Council had a balance of £24.6m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 12% or £2.9m was appropriate. | <p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £246k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £179k would be required.</p> |
| Business Rates | The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rates valuations from the 2010 List which applies to bills up to 2016/17 has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date. A change in the Valuation Office process for appealing against rates bills means similar data is not available for appeals against rates valuations from the 2017 list which applies to rates bills 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. | <p>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 an 18% increase in the estimated provision held in the Council's Balance Sheet.</p> <p>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 £1,654k. This equates to a 31% increase in the estimated provision held in the Council's Balance Sheet.</p> |

44 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued on the 13 July 2020.

The Collection Fund and Notes

| 31 March 2019 | Collection Fund Statement | Notes | 31 March 2020 | | Total |
|------------------|---|-------|---------------------------|------------------------|----------------|
| £000 | | | Business Rates £000 | Council Tax £000 | £000 |
| | Income | | | | |
| (91,054) | Council Tax Receivable | | - | (96,774) | (96,774) |
| (100,812) | Business Rates Receivable | 3 | (100,310) | - | (100,310) |
| | Contribution to Previous Year's Deficit: | | | | |
| 286 | Peterborough City Council | 4 | 506 | - | 506 |
| 6 | Cambridgeshire & Peterborough Fire Authority | | 10 | - | 10 |
| 292 | Central Government | | 516 | - | 516 |
| (191,282) | Total Income | | (99,278) | (96,774) | (196,052) |
| | Expenditure | | | | |
| | Precepts: | | | | |
| 74,023 | Peterborough City Council | 4 | - | 78,048 | 78,048 |
| 3,868 | Cambridgeshire & Peterborough Fire Authority | | - | 4,071 | 4,071 |
| 11,180 | Cambridgeshire Police Authority | | - | 12,815 | 12,815 |
| 89,071 | Total Precepts | | - | 94,934 | 94,934 |
| | Business Rates Share: | | | | |
| 45,129 | Peterborough City Council | 4 | 45,383 | - | 45,383 |
| 921 | Cambridgeshire & Peterborough Fire Authority | | 926 | - | 926 |
| 46,050 | Central Government | | 46,309 | - | 46,309 |
| 92,100 | Total Business Rates Shares | | 92,618 | - | 92,618 |
| | Charges to Collection Fund: | | | | |
| 2,293 | Increase / (Decrease) in Bad Debt Provision | | 1,345 | 1,392 | 2,737 |
| 3,879 | Increase / (Decrease) in Provision for Appeals | | (293) | - | (293) |
| 270 | Cost of Collection | | 271 | - | 271 |
| 3,242 | Transitional Payment Protection | | 1,001 | - | 1,001 |
| 336 | Renewable Energy Disregard | 4 | 343 | - | 343 |
| 10,020 | Total Charges to Collection Fund | | 2,667 | 1,392 | 4,059 |
| | Contribution to Previous Year's Estimated Surplus: | | | | |
| 1,188 | Peterborough City Council | 4 | - | 201 | 201 |
| 64 | Cambridgeshire & Peterborough Fire Authority | | - | 11 | 11 |
| 179 | Cambridgeshire Police Authority | | - | 31 | 31 |
| 1,431 | Total Contribution to Previous Year's Estimated Surplus | | - | 243 | 243 |
| 1,340 | (Surplus) / Deficit Arising During the Year | | (3,993) | (205) | (4,198) |
| | Collection Fund Balance | | | | |
| (2,126) | (Surplus) / Deficit Brought Forward 1 April | | (366) | (420) | (786) |
| 1,340 | (Surplus) / Deficit Arising During the Year | | (3,993) | (205) | (4,198) |
| (786) | (Surplus) / Deficit Carried Forward 31 March | | (4,359) | (625) | (4,984) |
| | Allocated to: | | | | |
| (527) | Peterborough City Council | | (2,135) | (514) | (2,649) |
| (22) | Cambridgeshire & Peterborough Fire Authority | | (44) | (27) | (71) |
| (54) | Cambridgeshire Police Authority | | - | (84) | (84) |
| (183) | Central Government | | (2,180) | - | (2,180) |
| (786) | Total | | (4,359) | (625) | (4,984) |

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 | 34,878 | 23,252 |
| B | 7/9 | 21,086 | 16,400 |
| C | 8/9 | 14,345 | 12,751 |
| D | 9/9 | 8,282 | 8,282 |
| E | 11/9 | 4,444 | 5,432 |
| F | 13/9 | 1,929 | 2,786 |
| G | 15/9 | 964 | 1,607 |
| H | 18/9 | 70 | 140 |
| Total | | 85,998 | 70,650 |

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 57,555 (56,259 for 2018/19).

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 2019/20 the total non-domestic rateable value at the year-end is £237.6m (£236.9m in 2018/19). The national multipliers for 2019/20 were 49.1p for qualifying Small Businesses, with the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

4 Council Precept

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

| 2018/19 | Council Precept | NDR | Council Tax | 2019/20 Total |
|------------------|---|-----------------|-----------------|------------------|
| £000 | | £000 | £000 | £000 |
| (119,152) | Precept / Share | (45,383) | (78,048) | (123,431) |
| (336) | Estimated Renewable Energy Disregard (RED) | (344) | - | (344) |
| - | Difference between actual & estimated RED | 1 | - | 1 |
| (1,474) | Share of Prior Year | | | |
| | Estimated Deficit / (Surplus) | (506) | (201) | (707) |
| 1,436 | Reverse actual share prior year Deficit / (Surplus) | 179 | 348 | 527 |
| (527) | Share of Deficit / (Surplus) | (2,135) | (514) | (2,649) |
| (120,053) | Total (Note 11) | (48,188) | (78,415) | (126,603) |

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. 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 re-measurements.

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

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

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

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

Re-measurements are the return on plan assets and actuarial gains and losses. Re-

measurements are charged below the deficit on the provision of services in the CIES.

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

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

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

Events after the Balance Sheet Date

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

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

Financial Assets

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (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 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.

The Council as Lessee

Finance Leases

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Operating Leases

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

Council as Lessor

Finance Leases

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

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

Lease rentals are apportioned between:

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

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

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

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

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

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

Operating Leases

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

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

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

Overheads and Support Services

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

Property, Plant and Equipment (PPE)

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

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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.

Revaluation

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.

Decreases in value

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

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

Impairment

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

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

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

Disposal and Decommissioning

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

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

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

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

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

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

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

Depreciation

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

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

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

Basis of Depreciation

Depreciation is calculated on the following bases:

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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

Provisions

Provisions are made:

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

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

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

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

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

Contingent Liabilities

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

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

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

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

Reserves

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

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

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement

and employee benefits. These reserves are not usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

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

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

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

PPE assets remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled

schools) have not been incorporated into the Council's Balance Sheet.

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

Value Added Tax (VAT)

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

Group Accounts

Introduction

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

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

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

The following pages include:

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

Basis of identification of the Group Boundary

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

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

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

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

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

Peterborough Ltd – Trading as Aragon Direct Services (ADS)

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

Last year was its first year of full operation and it concentrated on providing a smooth transition of operational services, from the previous provider Amey, and on building a solid foundation for future growth.

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

- Recycling and waste - ADS carry out kerbside and communal collections for residual waste, recycling, food waste and garden waste. These are currently collected on alternate weekly collection system, residual waste one week and mixed recyclables the following week with a weekly food waste collection across most of the Council's area. Separately residents can opt into a paid for garden waste collection service, collected the same week as the recycling bin.
- Parks, trees and open spaces - ADS carry out landscaping and grounds maintenance including grass cutting, shrub and planted bed maintenance, hanging baskets, cleaning of litter from planted areas, tree maintenance and planting. This service area covers general grassed areas, sports pitches, as well as formal parks. They also carry out play inspection, maintenance and installation

as well as specialist arboriculture services including inspection and works delivery.

- Street Cleaning - ADS carry out cleansing on public land and highways including removal of litter and detritus through manual and mechanical means, litter bin emptying, graffiti removal, street washing and fly tipping removal.
- Property and Professional Services - ADS have a multi-skilled team, who provide a range of services, including reactive and planned maintenance with robust programmes to deliver and capture statutory and routine premises checks, as well as design and construction works. This includes repair and upkeep of electrical, heating, air conditioning, gas, fire and intruder alarms as well as structural repairs and maintenance. The service also provides for the development and delivery of building extensions and new build for the Council across its services.
- Passenger Transport - ADS provide provision of buses and drivers for home to school transport, including Special Educational Needs (SEN) with additional staff to cater for service users specific needs.
- Building Cleansing - ADS provide building cleaning to council properties as well as various commercial locations.
- Fleet Maintenance - ADS maintain a fleet of 138 vehicles, including preventative maintenance inspection regime, reactive repairs and compliance and fleet planning.

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

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

and together with proactive sales to third parties Peterborough Ltd has planned to move to profitability by the end of 2020/21.

The summary results of Peterborough Ltd to the year ended 31 March 2020 are shown in the table below.

| 2018/19 £000 | Peterborough Limited | 2019/20 £000 |
|-----------------|---|-----------------|
| | <i>Statement of Financial Position</i> | |
| 1,135 | Current Assets | 2,877 |
| - | Non-Current Assets | - |
| (312) | Current Liabilities | (1,599) |
| (940) | Non-Current Liabilities | (1,750) |
| <u>(117)</u> | Net assets for the accounting period | (472) |
| | <i>Statement of Comprehensive Loss</i> | |
| 112 | Revenue | 14,349 |
| <u>(117)</u> | Loss Before Tax | <u>(355)</u> |
| <u>(117)</u> | Loss After Tax | <u>(355)</u> |

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Group Comprehensive Income and Expenditure Statement (CIES)

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

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

| 2018/19 | | | 2019/20 | | | |
|--|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Comprehensive Income & Expenditure Statement (CIES) | | | | | | |
| 873 | (76) | 797 | Business Improvement | 1,168 | (15) | 1,153 |
| 2,170 | (672) | 1,498 | Chief Executives | 2,590 | (823) | 1,767 |
| 7,631 | (907) | 6,724 | Customer & Digital Services | 8,711 | (901) | 7,810 |
| 5,681 | (1,122) | 4,559 | Governance | 6,816 | (2,103) | 4,713 |
| 309,667 | (204,199) | 105,468 | People & Communities | 285,401 | (184,203) | 101,198 |
| 56,681 | (13,371) | 43,310 | Place & Economy | 43,516 | (15,306) | 28,210 |
| 11,083 | (11,110) | (27) | Public Health | 11,289 | (11,000) | 289 |
| 90,787 | (66,987) | 23,800 | Resources | 84,317 | (58,650) | 25,667 |
| 29 | (20) | 9 | Peterborough Limited | 13,424 | (1,593) | 11,831 |
| 484,602 | (298,464) | 186,138 | Cost of Services | 457,232 | (274,594) | 182,638 |
| 12,900 | (9,661) | 3,239 | Other Operating Income & Expenditure | 8,750 | (1,991) | 6,759 |
| 104,590 | (7,727) | 96,863 | Financing & Investment Income & Expenditure | 36,361 | (6,120) | 30,241 |
| 2,642 | (166,143) | (163,501) | Taxation & Non-Specific Grant Income & Expenditure | 2,828 | (178,801) | (175,973) |
| 604,734 | (481,995) | 122,739 | (Surplus) / Deficit on Provision of Services | 505,171 | (461,506) | 43,665 |
| | | (5,571) | (Surplus) / Deficit on Revaluation of Non-Current Assets | | | (23,648) |
| | | 46,056 | Actuarial (Gains) / Losses on Pension Assets / Liabilities | | | (126,988) |
| | | 40,485 | Other Comprehensive Income & Expenditure | | | (150,636) |
| | | 163,224 | Total Comprehensive Income & Expenditure | | | (106,971) |

Group Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the whole Group, analysed into 'usable reserves' (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.

| Movement in Reserves during 2018/19 and 2019/20 | Council's Usable Reserves | Subsidiary Usable Reserves | Total Group Usable Reserves | Council's Unusable Reserves | Subsidiary Unusable Reserves | Total Group Unusable Reserves | Total Group Reserves |
|---|----------------------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------------|--------------------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <i>Balance at 1 April 2018</i> | (47,674) | - | (47,674) | 137,469 | - | 137,469 | 89,795 |
| <i>Movement in Reserves during 2018/19</i> | | | | | | | |
| <i>Total Comprehensive Income & Expenditure</i> | 122,622 | 117 | 122,739 | 40,485 | - | 40,485 | 163,224 |
| <i>Adjustments between Group accounts and Council accounts*</i> | 108 | (108) | - | - | - | - | - |
| <i>Net Increase / Decrease before Transfers</i> | 122,730 | 9 | 122,739 | 40,485 | - | 40,485 | 163,224 |
| <i>Adjustments between accounting basis & funding basis under regulations</i> | (124,312) | - | (124,312) | 124,312 | - | 124,312 | - |
| <i>(Increase) /Decrease in 2018/19</i> | (1,582) | 9 | (1,573) | 164,797 | - | 164,797 | 163,224 |
| <i>Balance at 31 March 2019</i> | (49,256) | 9 | (49,247) | 302,266 | - | 302,266 | 253,019 |
| Balance at 1 April 2019 | | | | | | | |
| Total Comprehensive Income & Expenditure | 43,310 | 355 | 43,665 | (150,636) | - | (150,636) | (106,971) |
| Adjustments between Group accounts and Council accounts* | (11,522) | 11,522 | - | - | - | - | - |
| <i>Net Increase before Transfers</i> | 31,788 | 11,877 | 43,665 | (150,636) | - | (150,636) | (106,971) |
| Adjustments between accounting basis & funding basis under regulations | (30,639) | - | (30,639) | 30,639 | - | 30,639 | - |
| (Increase) / Decrease in 2019/20 | 1,149 | 11,877 | 13,026 | (119,997) | - | (119,997) | (106,971) |
| Balance at 31 March 2020 | (48,107) | 11,886 | (36,221) | 182,269 | - | 182,269 | 146,048 |

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

Group Balance Sheet

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

- The first category of reserve are usable reserves, ie those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2019 £000 | Balance Sheet | Notes | 31 March 2020 £000 |
|--------------------------|---|-------|--------------------------|
| 548,941 | Property, Plant & Equipment | | 571,042 |
| 25,676 | Investment Property | | 23,135 |
| 9,144 | Intangible Assets | | 8,405 |
| 432 | Long term Debtors | | 757 |
| 584,193 | Long Term Assets | | 603,339 |
| 17 | Short Term Investments | | 3 |
| 464 | Inventories | 1 | 683 |
| 76,789 | Short Term Debtors | 2 | 83,936 |
| 16,015 | Cash & Cash Equivalents | 5 | 11,730 |
| 128 | Current Intangible Asset | | - |
| 1,217 | Assets Held for Sale | | 2,015 |
| 94,630 | Current Assets | | 98,367 |
| (69,062) | Short Term Borrowing | | (106,457) |
| (63,779) | Short Term Creditors | 0 | (70,246) |
| (9,088) | Provisions | | (10,174) |
| (141,929) | Current Liabilities | | (186,877) |
| (332,035) | Long Term Creditors (Pension Liability) | | (221,489) |
| (175) | Provisions | | (356) |
| (392,087) | Long Term Borrowing | | (374,587) |
| (45,720) | Other Long Term Liabilities | | (44,807) |
| (19,896) | Capital Grants Receipts in Advance | | (19,638) |
| (789,913) | Long Term Liabilities | | (660,877) |
| (253,019) | Net (Liabilities) / Assets | | (146,048) |
| (49,247) | Usable Reserves | | (36,221) |
| 302,266 | Unusable Reserves | | 182,269 |
| 253,019 | Total Reserves | | 146,048 |

Peter Carpenter – Acting Director of Corporate Resources

July 2020

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to

which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

| 2018/19 £000 | Cash Flow Statement | Notes | 2019/20 £000 |
|-----------------|---|-------|-----------------|
| 122,739 | Net (Surplus) / Deficit on the Provision of Services | | 43,665 |
| (85,444) | Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements | | (74,438) |
| (60,782) | Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities | | (4,275) |
| (23,487) | Net Cash Flows from Operating Activities | | (35,048) |
| 55,368 | Investing Activities | 4 | 59,726 |
| (39,140) | Financing Activities | | (20,393) |
| (7,259) | Net (Increase) / Decrease in Cash & Cash Equivalents | | 4,285 |
| 8,756 | Cash & Cash Equivalents at the Beginning of the Reporting Period | | 16,015 |
| 7,259 | Increase / (Decrease) in Cash and Cash Equivalents | | (4,285) |
| 16,015 | Cash & Cash Equivalents at the end of the Reporting Period | 5 | 11,730 |

Notes to the Accounts

1 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.

| <i>31 March</i> 2019 | Inventories | 31 March 2020 |
|-------------------------|----------------------------|-------------------------|
| <i>£000</i> | | £000 |
| 374 | Westcombe Industries Stock | 397 |
| 8 | Peterborough Limited Stock | 222 |
| 82 | Other Stock Balances | 64 |
| 464 | Total | 683 |

2 Debtors

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

| <i>31 March</i> 2019 | Debtors | 31 March 2020 |
|-------------------------|--|-------------------------|
| <i>£000</i> | (Each item is net of impairment) | £000 |
| 12,952 | Cambridgeshire & Peterborough CCG | 9,228 |
| 673 | Cambridgeshire & Peterborough Combined Authority | 2,674 |
| 1,673 | Capital Funding Contributions | 1,284 |
| 3,544 | Central Government Departments | 5,719 |
| 8,047 | Council Tax Arrears | 9,127 |
| 1,630 | Cross Keys Homes | 1,477 |
| 2,138 | Housing Benefit Overpayments | 1,247 |
| 2,080 | NDR Arrears | 1,609 |
| 526 | Other NHS Organisations | 1,594 |
| 6,186 | Payments in Advance | 7,956 |
| 1,269 | Commercial Property Rent Arrears | 2,108 |
| 289 | Peterborough Limited Debtors | 899 |
| 12,736 | General Debtors | 15,968 |
| 53,743 | | 60,890 |
| 23,046 | Outstanding Balances on Loans Granted ECS Peterborough 1 LLP (Notes 13, | 23,046 |
| 76,789 | Total Debtors | 83,936 |

3 Creditors

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

| 31 March 2019 | Creditors | 31 March 2020 |
|------------------|--------------------------------------|------------------------|
| £000 | | £000 |
| (1,062) | Council Tax Overpaid | (1,857) |
| (1,005) | Council Tax Prepaid | (1,401) |
| (2,610) | NDR Overpaid | (2,470) |
| (1,159) | NDR Prepaid | (635) |
| (6,981) | NDR Preceptors | (8,176) |
| (8,769) | Deposits / Receipts in Advance | (13,395) |
| (2,372) | Accrual Accumulated Absences | (2,916) |
| (1,216) | Short Term Finance Lease Liabilities | (1,260) |
| (113) | Peterborough Limited Creditors | (1,546) |
| (38,492) | General Creditors | (36,590) |
| <u>(63,779)</u> | Total Creditors | <u>(70,246)</u> |

4 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

| 2018/19 | Cash Flow Statement – Investing Activities | 2019/20 |
|---------------|--|----------------------|
| £000 | | £000 |
| 59,739 | Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets | 41,617 |
| 20,292 | Other Payments for Investing Activities | 18,946 |
| (17,458) | Proceeds from the Sale of Property, Plant & Equipment, Investment Property | (822) |
| (7,205) | Proceeds from Short and Long Term Investments | (15) |
| <u>55,368</u> | Net cash flows from investing activities | <u>59,726</u> |

5 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.

| 2018/19 | Cash Flow Statement – Cash and Cash Equivalents | 2019/20 |
|---------------|---|----------------------|
| £000 | | £000 |
| 15,000 | Short Term Cash Investments | 9,700 |
| 44 | Petty Cash & Imprest | 38 |
| 971 | Bank Current Accounts | 1,992 |
| <u>16,015</u> | Total Cash & Cash Equivalents | <u>11,730</u> |

Accounting Policies

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

Glossary

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

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

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

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

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

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

Balances – The non-earmarked reserves of the Council. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a

shortfall in income. The Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

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

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

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

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

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

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

Capital Receipt - Proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to

finance new capital expenditure, repay debt or fund transformational change that lead to future revenue savings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historical Cost – The nominal or original cost.

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

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

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

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

Lessee – The holder or tenant of a lease.

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

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

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

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

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

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

Index of Notes to the Core Financial Statements

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(Draft) Annual Governance Statement – 2019/20



Annual Governance Statement

The Annual Governance Statement is being discussed and approved by this Audit Committee on 13 July 2020. The Statement will be included in the final published Statement of Accounts.

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:

Gillian Beasley, Chief Executive

Date:

DD MMM 2020

Signed:

Councillor John Holdich, Leader of the Council

Date:

DD MMM 2020