APPENDIX 3

PETERBOROUGH CITY COUNCIL

Statement of Accounts

2010/11

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

The Head of Corporate Services
Peterborough City Council
Manor Drive
Paston Parkway
Peterborough
PE4 7AJ
email: FinanceManagementTeam@peterborough.gov.uk

Tel: 01733 384590

www.peterborough.gov.uk

Peterborough City Council
Statement of Accounts 2010/11

Contents **Page**

Explanatory Foreword

1 Background

The Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2011 and The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code).

2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2010/11. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2011
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2010/11
- *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund and Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council

3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement on page 11 shows the gross revenue expenditure and income together with net expenditure for 2010/11 compared with 2009/10 equivalents. The Comprehensive Income and Expenditure Statement is analysed by services as laid down in the Best Value Accounting Code of Practice (BVACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

73

do not correlate directly with BVACOP. However, Note 16 page 27, demonstrates the presentational differences between these reporting requirements.

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

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

The following table compares the budget to the actual net expenditure based upon the Council's organisational structure. Figures in brackets indicate a favourable variance. The Council under spent by £0.48m, which was transferred to reserves.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive Office	10,189	8,784	(1,405)
Children's Services	38,654	38,873	219
City Services	13,776	13,600	(176)
Operations	27,848	27,305	(543)
Strategic Resources	32,667	31,664	(1,003)
Adult Social Care	40,582	40,582	-
Corporate Items	(1,764)	669	2,433
Total Council Expenditure	**161,952**	**161,477**	**(475)**
Transfer to earmarked reserve			475
Contribution to General Fund Balance			**2,242**
General Fund Balance Brought Forward			3,758
General Fund Balance Carried Forward			**6,000**

The financing of the budget was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	9,765
Government Grant (Area Based Grant)	13,996
Distribution from National Non Domestic Rates	67,249
Demand on the Collection Fund	61,994
Capitalisation Direction	502
Reserves	8,446
Total Financing	**161,952**

Balances

At 31 March 2011, the General Fund working balance of the Council stood at £6m which is in line with the Medium Term Financial Strategy (MTFS) of returning the General Fund balance to £6m by 2012/13.

In addition the Schools balances totalled £6.7m at 31 March 2011, compared to £5.1m at 31 March 2010.

4 Capital Expenditure

The main elements of capital expenditure, compared with the revised February 2011 budget after slippage, are shown below.

Capital Expenditure	Budget per MTFS 2010 Approved Budget	2010/11 Budget inc. slippage from 2009/10	Revised Budget at February 2011	Outturn
	£000	£000	£000	£000
Chief Executives	12,520	15,179	11,786	4,632
Children's Services	41,219	52,507	25,636	22,413
City Services	2,229	3,613	2,774	806
Operations	29,103	36,274	22,481	21,481
Strategic Resources	20,332	24,590	12,229	10,073
Adult Social Care	921	921	404	338
Total	**106,324**	**133,084**	**75,310**	**59,743**
Financed by:				
External Sources	48,431	60,345	41,547	32,456
Capital Receipts	14,094	14,094	5,245	3,973
Borrowing	43,799	58,645	28,518	23,314
Total	**106,324**	**133,084**	**75,310**	**59,743**

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

5 External Borrowings and Investments

At 31 March 2011 the Council had net borrowings including cash and outstanding interest of £117.1m (£122.6m in 2009/10).

2009/10		**2010/11**
£m		**£m**
136.3	Borrowing*	136.3
(13.7)	Investments	(19.2)
122.6	**Net Borrowing**	**117.1**

*No new borrowing or rescheduling of debt was undertaken in 2010/11 (no new borrowing in 2009/10). This reflects the Treasury Management policy per the MTFS, as it continues to be more cost effective to run down the Council's cash balances.

6 Change in Accounting Policies

In the 2007 Budget, the then-chancellor announced that the UK Public Sector would adopt International Financial Reporting Standards (IFRSs) as this was seen as best practice and allowed for international comparisons to be made. The 2010/11 Statement of Accounts is the first set of accounts the Council has produced under IFRS.

The significant alterations are:

- Salaries and Pensions – untaken holiday pay and similar items are accrued for at the year end

- Government Grants and Contributions – capital grants are recognised immediately (unless there are conditions) rather than being deferred and matched to expenditure
- Leases – different tests are used to determine whether a lease is a finance or operating lease. The classification of a lease leads to a different impact on the Comprehensive Income and Expenditure Statement and Balance Sheet
- Private Finance Initiative (PFI) – there has been clarification with regards to the treatment of schools with Foundation status which occupy an asset that was funded via the PFI arrangement. Previously the asset and liability of the PFI arrangement were brought onto the Council's balance sheet, however this treatment was in conflict with the Foundation status and means that the Council's balance sheet has now been amended to show the liability only.

These adjustments are a change in accounting treatment only, and have no impact on Council Tax. For further information about these IFRS transitional adjustments see Note 47, page 64.

7 Changes to Service Delivery

During 2010/11 the Council changed the way some services are delivered through two partnership arrangements. The Council retains responsibility for providing these services however the service delivery will be undertaken by a third party instead of by the Council directly. The Services affected include:

- Vivacity Peterborough Culture and Leisure – the Council transferred the management of its Arts, Heritage, Library and Sport Services to a specially created culture and leisure trust under a 25 year Funding and Management Agreement (FMA) that commenced 1 May 2010. The vision of the Trust is to deliver inspiring culture and leisure services which enrich the lives of residents and visitors to the City.
- Enterprise Peterborough – on 4 March 2011 the Council entered into a long-term, 23 year, strategic partnership with Enterprise Peterborough. It is responsible for delivering and improving a broad range of services, including household waste and recycling collection, street cleaning, property design and maintenance and grounds maintenance. A range of other services will also be part of the partnership, including public and school bus services to be transferred during 2011/12. The aim of the strategic partnership is to improve the delivery and performance of these services, while providing the best value for local taxpayers.

8 Pensions

The main statements include entries to show the financial position of the Council's share of the Cambridgeshire Pension Fund. This information has been compiled by the Fund's actuary in accordance with International Accounting Standard 19: Employee Benefits (IAS19).

Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has decreased during 2010/11 from 230.8m in 2009/10 to £145.3m. The change of £85.5m is largely a result of:

- positive asset returns and falling long term inflation expectations

- the pension increase change from Retail Price Index (RPI) to Consumer Price Index (CPI)

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

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

The Council's employer's contribution to the Fund was 17.6% in 2010/11. This percentage was reviewed as part of the triennial actuarial valuation during 2010. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. Further details can be found in Note 7, page 17.

9 Icelandic Banks

The Council had a total of £3m invested in two Icelandic owned banks which went into administration in October 2008. The investments were impaired to make their value equal to that expected to be received from the administrators.

As recovery rates have improved from those used in 2009/10, the impairment of the investments has been revised accordingly. The Council followed the Capital Financing Regulations to defer the impact of the impairment on the General Fund until 2010/11. This cost has been matched by the earmarked reserve that was created in 2009/10 to cover the impairment costs, which means there has been no impact on the General Fund for 2010/11. Further details can be found in Notes 17 and 32.

In summary the key movements have been:

- £3m invested with two Icelandic owned banks which went into administration in October 2008
- £838k was put aside in a reserve in 2009/10 to cover the estimated impairment loss
- £544k is the latest estimated impairment value which has been charged against the General Fund in 2010/11, in accordance with regulations
- It is possible that recovery rates will improve further as administrators continue to wind down the businesses
- As the £545k has been provided for during 2010/11 any subsequent improvements in recovery rates will benefit the financial position in future years.

10 Conclusion

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

The Council approved the revenue and capital budget requirement for 2010/11 in February 2010 in the context of the current adverse economic environment and of great uncertainty regarding future public sector and local government funding.

The new Coalition Government announced the first grant funding reductions to local government in May 2010. For Peterborough City Council the impact was a reduction of £2.4m in revenue grants and £2.3m in capital grants in the current financial year of 2010/11. At the same time pressures were emerging with the demand led budgets such as social care and looked after children. Indications were also evident at this time that grants would be further reduced in future years.

The Council has been proactive in dealing with the new funding challenges and managing the impact of the pressures created. The actions taken throughout the year have helped the Council to be in a strong financial position to deliver £28m of savings required in 2011/12. The Medium Term Financial Strategy (MTFS) delivers a balanced budget for the Council for the next three years.

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

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

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

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

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

John Harrison
Executive Director - Strategic Resources

DRAFT - Independent Auditor’s Report to the Members of Peterborough City Council

Independent auditor’s report to the Members of Peterborough City Council

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2011 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Chief Financial Officer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for Peterborough City Council’s members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. The maintenance and integrity of Peterborough City Council’s website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The maintenance and integrity of Peterborough City Council’s website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2011 and of the Authority's income and expenditure and cash flows for the year then ended; and

- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

Opinion on other matters
In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Date:

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

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities
We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion
We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate
We certify that we have completed the audit of the Authority accounts of Peterborough City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Date:

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

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2011 was approved at the meeting of the Audit Committee on 26 September 2011.

Signed on behalf of Peterborough City Council:

Chairman of meeting approving the accounts: ______________________

Date: ______________________

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 11 to 86 present a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Executive Director - Strategic Resources: ______________________

Date: ______________________

Comprehensive Income and Expenditure Statement

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

2009/10					**2010/11**		
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £000*	**Comprehensive Income and Expenditure Statement**	**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
4,170	*(2,024)*	*2,146*	Central Services to the Public		3,875	(1,661)	2,214
298	*-*	*298*	Court Services		300	-	300
54,859	*(14,374)*	*40,485*	Cultural, Environmental, Regulatory & Planning Services		47,663	(13,368)	34,295
233,290	*(179,788)*	*53,502*	Education & Children's Services	1, 6	240,819	(193,060)	47,759
23,243	*(5,935)*	*17,308*	Highways & Transport Services		21,829	(7,347)	14,482
82,495	*(80,399)*	*2,096*	Other Housing Services		85,684	(78,557)	7,127
48,825	*(9,065)*	*39,760*	Adult Social Care	2	51,491	(9,697)	41,794
-	*-*	*-*	Exceptional Income – Pension Liability Reduction	7	-	(53,405)	(53,405)
7,692	*(4,339)*	*3,353*	Corporate & Democratic Core	3, 4	4,097	(1,471)	2,626
1,016	*-*	*1,016*	Non Distributed Costs		-	(4,438)	(4,438)
455,888	*(295,924)*	*159,964*	**Cost of Services**	16	**455,758**	**(363,004)**	**92,754**
6,516	*(14,206)*	*(7,690)*	Other Operating Expenditure	9,10	23,699	(13,760)	9,939
26,150	*(1,118)*	*25,032*	Financing & Investment Income & Expenditure	11	21,613	(466)	21,147
-	*(171,815)*	*(171,815)*	Taxation & Non-Specific Grant Income	12, 13	-	(174,788)	(174,788)
488,554	*(483,063)*	*5,491*	**(Surplus) / Deficit on Provision of Services**	16	**501,070**	**(552,018)**	**(50,948)**
		(15,530)	Surplus on Revaluation of Non-Current Assets				(50,333)
		137,427	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			(31,527)
		5,567	Writing out of assets				-
		127,464	**Other Comprehensive Income & Expenditure**				**(81,860)**
		132,955	**Total Comprehensive Income & Expenditure**				**(132,808)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 11. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council, for further, more detailed movements, see Note 17.

Movement in Reserves during 2009/10 and 2010/11	**Notes**	**General Fund Balance**	**School's Balances**	**Earmarked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	17	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2009		*6,000*	*5,578*	*11,410*	*-*	*2,520*	*25,508*	*139,404*	*164,912*
Deficit on Provision of Services		*(5,027)*	*(464)*	*-*	*-*	*-*	*(5,491)*	*-*	*(5,491)*
Other Comprehensive Income & Expenditure		*-*	*-*	*-*	*-*	*-*	*-*	*(127,464)*	*(127,464)*
Total Comprehensive Income & Expenditure		*(5,027)*	*(464)*	*-*	*-*	*-*	*(5,491)*	*(127,464)*	*(132,955)*
Adjustments between accounting basis & funding basis under regulations		*8,453*	*-*	*-*	*1,118*	*7,053*	*16,624*	*(16,624)*	*-*
Net Increase / Decrease before Transfers to Earmarked Reserves		*3,426*	*(464)*	*-*	*1,118*	*7,053*	*11,133*	*(144,088)*	*(132,955)*
Transfers to /from Reserves		*(5,668)*	*-*	*5,668*	*(1,118)*	*(4,276)*	*(5,394)*	*5,394*	*-*
Increase /(Decrease) in 2009/10		*(2,242)*	*(464)*	*5,668*	*-*	*2,777*	*5,739*	*(138,694)*	*(132,955)*
Balance at 31 March 2010 Carried Forward		*3,758*	*5,114*	*17,078*	*-*	*5,297*	*31,247*	*710*	*31,957*
Balance at 31 March 2010		**3,758**	**5,114**	**17,078**	**-**	**5,297**	**31,247**	**710**	**31,957**
Surplus on Provision of Services		50,059	889	-	-	-	50,948	-	50,948
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	81,860	81,860
Total Comprehensive Income & Expenditure		50,059	889	-	-	-	50,948	81,860	132,808
Adjustments between accounting basis & funding basis under regulations		(47,110)	-	-	3,957	452	(42,701)	42,701	-
Net Increase before Transfers to Earmarked Reserves		2,949	889	-	3,957	452	8,247	124,561	132,808
Transfers to / from Reserves		(707)	746	(40)	(3,957)	(785)	(4,743)	4,743	-
Increase / (Decrease) in 2010/11		2,242	1,635	(40)	-	(333)	3,504	129,304	132,808
Balance at 31 March 2011 Carried Forward		**6,000**	**6,749**	**17,038**	**-**	**4,964**	**34,751**	**130,014**	**164,765**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 12, line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009	*31 March 2010*	**Balance Sheet**	**Notes**	**31 March 2011**
£000	*£000*			**£000**
372,025	*390,650*	Property, Plant & Equipment	19	435,232
50,221	*45,945*	Investment Property	20	40,012
2,019	*2,237*	Intangible Assets	21	2,538
7,104	*4,862*	Surplus Assets	22	24,382
7,205	*758*	Long Term Investments	30	457
299	*280*	Long term Debtors	30,31	2,334
438,873	*444,732*	**Long Term Assets**		**504,955**
26,790	*2,632*	Short Term Investments	30	449
555	*555*	Inventories	33	484
35,235	*50,033*	Short Term Debtors	34	48,636
15,833	*10,051*	Cash & Cash Equivalents	40	15,634
1,045	*7,780*	Assets Held for Sale	22	6,146
79,458	*71,051*	**Current Assets**		**71,349**
(19,278)	*(19,272)*	Short Term Borrowing	30	(20,883)
(58,839)	*(47,799)*	Short Term Creditors	35	(53,001)
(4,993)	*(4,499)*	Provisions	36	(6,011)
(83,110)	*(71,570)*	**Current Liabilities**		**(79,895)**
(92,007)	*(230,759)*	Long Term Creditors	7	(145,349)
(1,292)	*(1,532)*	Provisions	36	(1,611)
(117,006)	*(117,006)*	Long Term Borrowing	30	(115,387)
(48,482)	*(46,183)*	Other Long Term Liabilities	28, 29, 30,31	(43,688)
(11,522)	*(16,776)*	Capital Grants Receipts in Advance	35	(25,609)
(270,309)	*(412,256)*	**Long Term Liabilities**		**(331,644)**
164,912	*31,957*	**Net Assets**		**164,765**
(25,508)	*(31,247)*	Usable Reserves	17, 0	(34,751)
(139,404)	*(710)*	Unusable Reserves	17	(130,014)
(164,912)	*(31,957)*	**Total Reserves**		**(164,765)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £000	**Cash Flow Statement**	**Notes**	**2010/11 £000**
5,491	Net Deficit / (Surplus) on the Provision of Services		(50,948)
(14,464)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		16,594
(27,777)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(24,028)
(36,750)	**Net Cash Flows from Operating Activities**		**(58,382)**
57,527	Investing Activities	38	41,049
(14,995)	Financing Activities	39	11,750
5,782	**Net Decrease / (Increase) in Cash & Cash Equivalents**		**(5,583)**
15,833	Cash & Cash Equivalents at the Beginning of the Reporting Period		10,051
(5,782)	(Decrease) / Increase in Cash and Cash Equivalents		5,583
10,051	**Cash & Cash Equivalents at the end of the Reporting Period**	40	**15,634**

1 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 follows:

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

Details of the deployment of DSG receivable for the previous financial year, 2009/10 follows:

Schools Budget Funded by Dedicated Schools Grant	*Central Expenditure £000*	*ISB £000*	*Total £000*
Final DSG for the financial year			*(112,941)*
Brought forward from 2008/09			*6*
Carry forward to 2010/11			*667*
Agreed budgeted distribution in year	*(14,697)*	*(97,571)*	*(112,268)*
Actual central expenditure	*14,589*	*-*	*14,589*
Actual ISB deployed to schools	*-*	*97,571*	*97,571*
Local Authority contribution for 2009/10	*-*	*-*	*-*
Carry Forward to 2010/11	*(108)*	*-*	*(108)*
Total amount carried forward to 2010/11			*(775)*

2 Pooled Funds and Similar Arrangements

The Council entered into a section 75 Pooled Budget arrangement with NHS Peterborough for the provision of Adult Social Care (ASC). The Partnership provides a robust framework for the provision of integrated Health Services and Social Care Services for adults in Peterborough.

An annual agreement is produced which sets out the Council's contribution to the Pool, the level of performance that NHS Peterborough aims to deliver across a range of ASC performance indicators and key service developments that NHS Peterborough will take forward that are either wholly, or partly, ASC. The pooled budget is hosted by NHS Peterborough who, in accordance with the agreement are responsible for any over spending.

The Council's contributions are shown within the Adult Social Care line in the Comprehensive Income and Expenditure

Statement on page 11. The memorandum account shows total income and expenditure for the pooled fund.

2009/10	Memorandum Account	2010/11
£000	**Gross Funding**	**£000**
(211,544)	Peterborough PCT	(223,616)
(37,389)	Peterborough City Council Pool Contribution	(38,427)
(4,102)	Peterborough City Council - Grants	(4,637)
(151)	Income from other Organisations	-
(253,186)	**Total Gross Funding**	**(266,680)**
174,061	NHS Commissioning	185,082
66,902	Provision of Services	68,050
23,834	Corporate Services	10,396
1,660	Public Health	1,680
266,457	**Total Expenditure**	**265,208**
13,271	Actual Over / (Under) spending	(1,472)
(13,271)	Overspend met by PPCT non Pooled	-

87

3 Members Allowances

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

2009/10		2010/11
£000	**Members Allowances**	**£000**
706	Allowances	714
1	Expenses	1
707	**Total**	**715**

4 External Audit Costs

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

2009/10		2010/11
£000	**External Audit Costs**	**£000**
256	Fees payable with regard to external audit services carried out by the appointed auditor	252
18	Fees payable in respect of statutory inspection	-
50	Fees payable for the certification of grant claims & returns carried out by the appointed auditor	45
10	Fees payable in respect of other services provided by the appointed auditor *	
334	**Total**	**297**

5 Termination Benefits

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2010/11, incurring liabilities of £3m (£1m 2009/10).

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

	2010/11
Termination Benefits	**£000**
Central Services to the Public	95
Cultural, Environmental, Regulatory & Planning Services	329
Education & Children's Services	1,173
Highways & Transport Services	153
Other Housing Services	278
Corporate & Democratic Core	60
Trading Operations	549
Support Services*	367
Total	**3,004**

** Support Services are recharged to the services*

6 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2010/11 the Council paid £7.0m to Teachers' Pension in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £7.6m and 14.1%. The contributions reduced between years as two secondary schools have transferred to Academy status during 2010/11. There were no contributions remaining payable at the year-end.

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

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 payment and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Cambridgeshire County Council's Pension Fund by £53.4m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Transactions relating to post employment benefits

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

2009/10 £000	**Comprehensive Income and Expenditure Statement**	**2010/11 £000**
	Cost of Services:	
7,557	Current service cost	12,586
21	Past service cost	(53,405)
842	Curtailment and Settlement	(4,657)
	Financing & Investment Income & Expenditure	
18,935	Interest cost (Note 11)	24,212
(11,700)	Expected return on scheme assets (Note 11)	(18,057)
15,655	**Total post employment benefit charged to the Deficit / (Surplus) on the Provision of Services**	**(39,321)**
	Other employment benefit charged to the Comprehensive Income and Expenditure Statement	
137,427	Actuarial losses / (gains)	(31,527)
153,082	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(70,848)**
	Movement in Reserves Statement	
(153,082)	Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services for post employment benefits in accordance with the code	70,848
	Actual amount charged against the General Fund Balance for pensions in the year:	
14,330	Employer's contributions payable to scheme	14,562
(138,752)	**Total Movement in Reserves Statement**	**85,410**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is £148.1m, which has built up from 1st April 2004.

Assets and liabilities in relation to post employment benefits

31 March 2010 £000	**Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)**	**31 March 2011 £000**
270,081	Opening Liability at 1 April	480,626
7,557	Current Service Cost	12,586
18,935	Interest Cost	24,212
4,795	Contributions by Scheme Participants	4,512
185,870	Actuarial Losses / (Gains)	(28,175)
842	Losses on Curtailments (excluding settlement amounts)	456
-	Liabilities Extinguished on Settlements	(22,946)
21	Past Service Costs	(53,405)
(7,475)	Benefits Paid	(10,557)
480,626	**Closing Liability at 31 March**	**407,309**

31 March 2010 £000	**Reconciliation of the Fair Value of the Scheme Assets**	**31 March 2011 £000**
178,074	Opening Value at 1 April	249,867
11,700	Expected Rate of Return on Assets	18,057
48,443	Actuarial Gains	3,352
-	Assets Distributed on Settlements	(17,833)
14,330	Employer Contributions	14,562
4,795	Contributions by Scheme Participants	4,512
(7,475)	Benefits Paid	(10,557)
249,867	**Closing Fair Value of Scheme Assets at 31 March**	**261,960**

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

The actual return on scheme assets in the year was £16.3m (2009/10 £60.1m).

Scheme history

Local Government Pension Scheme	*2006/07 £000*	*2007/08 £000*	*2008/09 £000*	*2009/10 £000*	**2010/11 £000**
Present Value of Liabilities	*333,687*	*272,854*	*270,081*	480,626	407,309
Fair Value of Assets in the Scheme	*(240,535)*	*(210,145)*	*(178,074)*	*(249,867)*	(261,960)
(Surplus) / Deficit in scheme	*93,152*	*62,709*	*92,007*	*230,759*	**145,349**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £145.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 17, page 37. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £11.5m.

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

The principal assumptions used by the actuary have been:

31 March 2010		**31 March 2011**
	Long-term expected rate of return on assets in the scheme	
7.8%	Equity Investments	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Cash	4.6%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
20.8	Men	21.0 years
24.1	Women	23.8 years
	Longevity at 65 for Future Pensioners:	
22.3	Men	22.9 years
25.7	Women	25.7 years
	Financial Assumptions	
3.8%	Rate of inflation	2.8%
3.8%	Rate of increase in pensions	2.8%
5.3%	Rate of increase in salaries	5.1%
7.1%	Expected return on assets	6.8%
5.5%	Rate for discounting scheme liabilities	5.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

31 March 2010 %		**31 March 2011** %
72	Equity investments	73
15	Bonds	15
8	Property	8
5	Cash	4
100	**Total**	**100**

History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	*2007/08* %	*2008/09* %	*2009/10* %	**2010/11** %
Differences between expected and actual return on assets	0.94	(26.75)	(32.33)	19.29	1.28
Experience Gains and Losses on Liabilities *	0.14	12.98	0.16	(0.36)	(5.86)

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

8 Officers' Remuneration

The number of employees whose remuneration, including lump sum retirement payments, was £50,000 or more in bands of £5,000 is shown in the table.

2009/10 Number of Employees	**Remuneration Band**	**2010/11 Number of Employees**
83	£50,000 - £54,999	89
49	£55,000 - £59,999	47
28	£60,000 - £64,999	42
18	£65,000 - £69,999	23
10	£70,000 - £74,999	13
8	£75,000 - £79,999	8
7	£80,000 - £84,999	11
-	£85,000 - £89,999	4
9	£90,000 - £94,999	8
-	£95,000 - £99,999	1
1	£100,000 - £104,999	1
-	£105,000 - £109,999	1
1	£110,000 - £114,999	3
1	£120,000 - £124,999	1
1	£125,000 - £129,999	-
1	£130,000 - £134,999	-
1	£135,000 - £139,999	1
1	£140,000 - £144,999	-
1	£145,000 - £149,999	-
-	£155,000 - £159,999	1
1	£170,000 - £174,999	-
-	£175,000 - £179,999	1

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

The larger numbers of employees within the bands in 2010/11 are the result of the redundancy programme. This significantly affects the comparability of data between years, see Note 5.

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

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

Post Holder	Year	Salary*	Bonuses	Expenses allowance	Compensation for loss of Office	Benefits in kind	Election duties +	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers)#	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley	2010/11	170,175	-	-	-	-	5,000	**175,175**	29,951	**205,126**
	2009/10	*170,175*	-	-	-	-	*2,000*	*172,175*	*27,909*	*200,084*
Executive Director - Strategic Resources	2010/11	121,192	-	-	-	109	2,308	**123,609**	21,330	**144,939**
	2009/10	*121,192*	-	-	-	*231*	*356*	*121,779*	*19,875*	*141,654*
Executive Director - Operations from 25 May 2009	2010/11	108,679	-	-	-	596	865	**110,140**	19,116	**129,256**
	2009/10	*91,567*	-	-	-	*24*	*286*	*91,877*	*15,017*	*106,894*
Executive Director - Children Services	2010/11	138,308	-	-	-	-	-	**138,308**	24,342	**162,650**
	2009/10	*138,308*	-	-	-	-	-	*138,308*	*22,683*	*160,991*
Director - Commercial Services to 4 March 2011	2010/11	83,851	-	1,136	-	1,405	383	**86,775**	14,756	**101,531**
	2009/10	*91,463*	-	*1,170*	-	*1,354*	-	*93,987*	*15,000*	*108,987*
Director of Adult - Social Services	2010/11	110,235	-	-	-	418	-	**110,653**	19,401	**130,054**
	2009/10	*110,235*	-	-	-	*223*	-	*110,458*	*18,079*	*128,537*
Solicitor to the Council	2010/11	90,323	-	-	-	171	2,250	**92,744**	15,897	**108,641**
	2009/10	*90,323*	-	-	-	-	*356*	*90,679*	*14,813*	*105,492*

* Salary includes fees and allowances plus basic arrears
# The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund
+ The Election duties column includes payments for the General Election as well as the local elections in 2010/11, hence why payments are higher than the previous year when only European Parliamentary elections took place.

9 Trading Operations

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

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

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. refuse collection), whilst others are support services to the Council's services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Cost of Services.

Trading Operations 2009/10	*Expenditure*	*Income*	*Deficit / (Surplus)*
	£000	*£000*	*£000*
Industrial Properties	*504*	*(8,207)*	*(7,703)*
Commercial Properties	*502*	*(1,660)*	*(1,158)*
Market Properties	*417*	*(583)*	*(166)*
Total for Properties	*1,423*	*(10,450)*	*(9,027)*
Building Cleaning	*905*	*(1,046)*	*(141)*
Building Maintenance	*5,427*	*(5,569)*	*(142)*
Catering	*1,753*	*(1,760)*	*(7)*
Grounds Maintenance	*3,001*	*(3,318)*	*(317)*
Refuse Collection	*3,105*	*(3,930)*	*(825)*
Street Cleaning	*2,633*	*(3,340)*	*(707)*
Vehicle Maintenance	*1,023*	*(1,135)*	*(112)*
Other	*6,004*	*(3,592)*	*2,412*
Inter Departmental Adjustment	*(22,350)*	*22,350*	*-*
Total for City Services	*1,501*	*(1,340)*	*161*
Other Traded Services	*1,503*	*(1,288)*	*215*
Sub Total	*4,427*	*(13,078)*	*(8,651)*
Capital Charges Adjustment	*252*	*-*	*252*
Total for Trading Units	*4,679*	*(13,078)*	*(8,399)*

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

10 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2009/10 £000	Other Operating Expenditure	2010/11 £000
310	Parish Council Precepts	364
539	Drainage & Flood Levies	553
(8,399)	(Gains) / Losses on Trading Operations - (Note 9)	8,899
7	Payments to the Government Housing Capital Receipts Pool (Note 17)	10
480	Losses on Disposal of Non Current Assets	827
(627)	Gains on Right To Buy Receipts (Note 17)	(714)
(7,690)	**Total**	**9,939**

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

2009/10 £000	Financing & Investment Income & Expenditure	2010/11 £000
10,350	Interest Payable & Similar Charges (Note 30)	10,287
7,235	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	6,155
(1,118)	Interest Receivable & Similar Income (Note 30)	(466)
8,565	(Gains)/Losses in Fair Value of Investment Properties	5,171
25,032	**Total**	**21,147**

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

2009/10 £000	Taxation & Non-Specific Grant Income	2010/11 £000
(58,685)	Council Tax Income	(60,986)
(60,455)	Distribution of national non-domestic rates (NNDR)	(67,249)
(25,393)	Non-Specific Government Grants (Note 13)	(23,761)
(27,282)	Capital Grants & Contributions	(22,792)
(171,815)	**Total Income**	**(174,788)**

13 Grant Income

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

2009/10 £000	Taxation & Non Specific Grant Income	2010/11 £000
(13,954)	Revenue Support Grant	(9,765)
(10,387)	Area Based Grant	(13,996)
(203)	Local Authority Business Growth Incentive Grant	-
(849)	Housing Planning Delivery Grant	-
(25,393)	**Total General Government Grants**	**(23,761)**
(60,455)	Distribution of national non-domestic rates (NNDR)	(67,249)
(85,848)	**Total from Government**	**(91,010)**

14 Related Parties

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in Note 16 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in Note 34.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 3. Members have been consulted over potential related parties and there are no material transactions which require disclosure. The Register of Members' Interest is open to public inspection at the Town Hall during office hours and the details of Members Interests are disclosed in the Democracy area by Member on the Council's website.

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise, but these have not been identified separately. The List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Democracy area of the Council's website.

Other public bodies which are subject to common control by central government include the pooled budget arrangement with NHS Peterborough for the provision of Adult Social Care (ASC). Transactions and balances are detailed in Note 2.

The Council is sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, and providing access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 Peterborough Museum and Art Gallery ceased to be managed by the Council and all operations were transferred to Vivacity Peterborough Culture and Leisure Trust, however the Council remains sole Trustee.

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

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

15 Interest in Companies

Opportunity Peterborough

The Company (formerly Peterborough Urban Regeneration Company) has been set up in conjunction with the Homes and Communities Agency (previously known as English Partnerships) and the East of England Development Agency.

The Company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this, £250,000 in 2010/11, along with the funding for seconded staff and specific projects (£255,580 in 2010/11) are included within the Council’s Cost of Services.

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

The net assets of the Company at 31 March 2011 are £219,201 (31 March 2010 £470,404), and the Company made a net deficit of £251,203 in 2010/11 (surplus of £1,165 2009/10). As there are no shares in the Company, no dividend is payable to the Council. No balances are owed to or by the Council.

In the event of the Company being wound up, the Council’s liability is limited to £1 and the Council has no rights to any share of its assets. The accounts can be obtained from Opportunity Peterborough, Stuart House, Ground Floor, Zone 5, St John’s Street, Peterborough PE1 5DD

16 Amounts Reported for Resource Allocation Decisions

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

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

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

Portfolio Income & Expenditure for 2010/11	Chief Executives £000	Children's Services £000	City Services £000	Operations £000	Strategic Resources £000	Adult Social Care £000	2010/11 Total £000
Fees, charges & other service income	(2,100)	(6,034)	(25,669)	(10,420)	(18,107)	(4,651)	(66,981)
Government Grants	(989)	(150,995)	(47)	(8,644)	(75,973)	(2,284)	(238,932)
Total Income	(3,089)	(157,029)	(25,716)	(19,064)	(94,080)	(6,935)	(305,913)
Employee expenses	5,063	141,120	11,949	13,615	11,297	716	183,760
Other service expenses	6,810	54,782	27,367	32,754	115,116	46,801	283,630
Total Expenditure	11,873	195,902	39,316	46,369	126,413	47,517	467,390
Net Expenditure	8,784	38,873	13,600	27,305	32,333	40,582	161,477

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

Net Expenditure in the Portfolio Analysis	161,477
Net Expenditure of Services & Support Services not Included in the Analysis	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(14,603)
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(54,120)
Cost of Services in Comprehensive Income and Expenditure Statement	92,754

Portfolio Income & Expenditure for 2009/10	*Chief Executives*	*Children's Services*	*City Services*	*Operations*	*Strategic Resources*	*Adult Social Care*	*2009/10 Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Fees, charges & other service income	*(6,787)*	*(25,156)*	*(30,268)*	*(13,625)*	*(34,650)*	*(4,873)*	*(115,359)*
Government Grants	*(2,254)*	*(161,953)*	*(66)*	*(12,975)*	*(72,404)*	*(1,713)*	*(251,365)*
Total Income	*(9,041)*	*(187,109)*	*(30,334)*	*(26,600)*	*(107,054)*	*(6,586)*	(366,724)
Employee expenses	*6,648*	*141,080*	*13,981*	*17,981*	*9,949*	*685*	*190,324*
Other service expenses	*12,051*	*91,475*	*32,217*	*33,859*	*112,288*	*45,419*	*327,309*
Total Expenditure	*18,699*	*232,555*	*46,198*	*51,840*	*122,237*	*46,104*	517,633
Net Expenditure	*9,658*	*45,446*	*15,864*	*25,240*	*15,183*	*39,518*	150,909

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

Net Expenditure in the Portfolio Analysis	*150,909*
Net Expenditure of Services & Support Services not Included in the Analysis	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	*33,605*
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	*(24,550)*
Cost of Services in Comprehensive Income and Expenditure Statement	*159,964*

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the '(Surplus) / Deficit on the Provision of Services' line included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2010/11	**Portfolio Analysis**	**Amounts not Reported to Mgmt [1]**	**Amounts not included in CIES [2]**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(66,981)	4,695	29,344	(91,177)	(124,119)	(13,713)	(137,832)
Interest & Investment Income	-	-	-	-	-	(466)	(466)
Income from Council Tax	-	-	-	-	-	(60,986)	(60,986)
Government Grants & Contributions	(238,932)	-	47	-	(238,885)	(113,849)	(352,734)
Total Income	**(305,913)**	**4,695**	**29,391**	**(91,177)**	**(363,004)**	**(189,014)**	**(552,018)**
Employee Expenses	183,760	(58,870)	(12,401)	-	112,489	18,556	131,045
Other Service Expenses	283,630	(13,379)	(71,110)	-	199,141	10,258	209,399
Support Services Recharges	-	-	-	91,177	91,177	-	91,177
Depreciation, Amortisation & Impairment	-	52,951	-	-	52,951	5,171	58,122
Interest Payments	-	-	-	-	-	10,287	10,287
Precepts & Levies	-	-	-	-	-	917	917
Payments to Housing Capital Receipts Pool	-	-	-	-	-	10	10
Loss on Disposal of Non-Current Assets	-	-	-	-	-	113	113
Total Expenditure	**467,390**	**(19,298)**	**(83,511)**	**91,177**	**455,758**	**45,312**	**501,070**
Deficit / (Surplus) on the Provision of Services	**161,477**	**(14,603)**	**(54,120)**	**-**	**92,754**	**(143,702)**	**(50,948)**

[1] *Amounts not reported to Management are accounting entries over which the Management have no control ie IAS19 pension adjustment and the accumulated compensated absences adjustment*

[2] *Amounts not included in the Comprehensive Income and Expenditure Statement (CIES) are the Trading Units which are shown in Other Operating Expenditure rather than in the Cost of Services in the Comprehensive Income and Expenditure Statement.*

Reconciliation to Subjective Analysis 2009/10 – Comparative Figures Table	Portfolio Analysis	Amounts not Reported to Mgmt	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(115,359)	7,359	40,292	47,382	(20,326)	(39,491)	(59,817)
Interest & Investment Income	-	-	-	-	-	(1,118)	(1,118)
Income from Council Tax	-	-	-	-	-	(58,685)	(58,685)
Government Grants & Contributions	(251,365)	-	1,097	-	(250,268)	(113,175)	(363,443)
Total Income	(366,724)	7,359	41,389	47,382	(270,594)	(212,469)	(483,063)
Employee Expenses	190,324	(6,637)	(13,072)	-	170,615	20,317	190,932
Other Service Expenses	308,785	(13,426)	(51,759)	-	243,600	25,747	269,347
Support Services Recharges	18,524	-	(1,108)	(47,382)	(29,966)	1,108	(28,858)
Depreciation, Amortisation & Impairment	-	37,509	-	-	37,509	8,565	46,074
Interest Payments	-	-	-	-	-	10,350	10,350
Precepts & Levies	-	-	-	-	-	849	849
Payments to Housing Capital Receipts Pool	-	-	-	-	-	7	7
Gains on Disposal of Non-Current Assets	-	-	-	-	-	(147)	(147)
Total Expenditure	517,633	17,446	(65,939)	(47,382)	421,758	66,796	488,554
Deficit / (Surplus) on the Provision of Services	150,909	24,805	(24,550)	-	151,164	(145,673)	5,491

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

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

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

- **Summary of Usable and Unusable Reserves**

1 April 2009 £000	Movement *£000*	*31 March 2010 £000*	**Summary of Usable and Unusable Reserves**	**1 April 2010 £000**	**Movement £000**	**31 March 2011 £000**
			Usable Reserves			
(6,000)	*2,242*	*(3,758)*	General Fund Balance	(3,758)	(2,242)	(6,000)
(5,578)	*464*	*(5,114)*	School Balances	(5,114)	(1,635)	(6,749)
(11,410)	*(5,668)*	*(17,078)*	Specific Earmarked Reserves (Note 0)	(17,078)	40	(17,038)
-	-	-	Capital Receipts Reserve	-	-	-
(2,520)	*(2,777)*	*(5,297)*	Capital Grants Unapplied Account	(5,297)	333	(4,964)
(25,508)	*(5,739)*	*(31,247)*	**Total Usable Reserves**	**(31,247)**	**(3,504)**	**(34,751)**
			Unusable Reserves			
(44,731)	*(13,906)*	*(58,637)*	Revaluation Reserve	(58,637)	(40,593)	(99,230)
(190,561)	*14,491*	*(176,070)*	Capital Adjustment Account	(176,070)	70	(176,000)
(55)	*6*	*(49)*	Deferred Capital Receipts	(49)	(2,922)	(2,971)
(799)	-	*(799)*	Donated Assets Account	(799)	(1,749)	(2,548)
1,855	*(475)*	*1,380*	Financial Instruments Adjustment Account	1,380	(876)	504
92,007	*138,752*	*230,759*	Pension Fund Reserve	230,759	(85,410)	145,349
(1,188)	*543*	*(645)*	Collection Fund Adjustment Account	(645)	1,008	363
4,068	*(717)*	*3,351*	Accumulating Compensated Absences Adjustment Account	3,351	1,168	4,519
(139,404)	*138,694*	*(710)*	**Total Unusable Reserves**	**(710)**	**(129,304)**	**(130,014)**
(164,912)	*132,955*	*(31,957)*	**Total Usable and Unusable Reserves**	**(31,957)**	**(132,808)**	**(164,765)**

- **Capital Receipts Reserve**

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

2009/10	Capital Receipts Reserve:	General Fund Balance	Capital Adjustment Account	Deferred Capital Receipts Account	Capital Receipts Reserve 2010/11
£000		£000	£000	£000	£000
-	Balance Brought Forward				-
(498)	Transfer of Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	3,253			(3,253)
(627)	Use of Right To Buy Receipts to Finance New Capital Expenditure	714			(714)
(33)	Use of Other Capital Receipts to Finance New Capital Expenditure		6	10	(16)
1,151	Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(3,973)		3,973
7	Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool	(10)			10
-	**Balance Carried Forward**	**3,957**	**(3,967)**	**10**	**-**

- **Capital Grants Unapplied Account**

The balance on the Capital Grants Unapplied Account represents grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement, but where the resources have yet to be used to finance Capital Expenditure. Amounts are transferred to the Capital Adjustment Account once the resources have been utilised.

2009/10	Capital Grants Unapplied Account (Note 27):	General Fund Balance	Capital Adjustment Account	Capital Grants Unapplied Account 2010/11
£000		£000	£000	£000
(2,520)	Balance Brought Forward			(5,297)
(3,539)	Transfer of Unapplied Capital Grant & Contributions via the Comprehensive Income and Expenditure Statement	452		(452)
762	Application of Grants to Capital Financing		(785)	785
(5,297)	**Balance Carried Forward**	**452**	**(785)**	**(4,964)**

- **Revaluation Reserve**

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

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

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

2009/10	**Revaluation Reserve:**	**General Fund Balance**	**Capital Adjustment Account**	**Revaluation Reserve 2010/11**
£000		**£000**	**£000**	**£000**
(44,731)	**Balance Brought Forward**			(58,637)
(26,271)	Upward revaluation of assets	59,050		(59,050)
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,344)	(1,605)	7,949
11,512	Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(4,122)		4,122
677	Difference between fair value depreciation and historical cost depreciation		(1,550)	1,550
176	Release of revaluation gains on disposals		(4,836)	4,836
(58,637)	**Balance Carried Forward**	**48,584**	**(7,991)**	**99,230**

- **Capital Adjustment Account**

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

2009/10	**Capital Adjustment Account**	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Revaluation Reserve**	**Capital Adjustment Account 2010/11**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
(190,561)	Balance Brought Forward					(176,070)
35,969	Charges for Depreciation & Impairment of Non Current Assets	(46,535)				46,535
-	Movement in the Market Value of Investments	16,560				(16,560)
1,203	Amortisation of Intangible Assets	(1,094)				1,094
(28,947)	Capital Grants & Contributions that have been applied to Capital Financing	31,671				(31,671)
13,989	Revenue Expenditure Funded from Capital under Statute	(14,651)				14,651
978	Amounts of Non Current Assets written off on disposal or sale as part of the (Gains) / Losses on Disposal in the Comprehensive Income and Expenditure Statement	(7,015)				7,015
772	Capitalisation Direction	(502)				502
(8,015)	Statutory Provision for the Repayment of Debt (MRP)	8,753				(8,753)
(4,276)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account			785		(785)
(54)	Revaluation Losses - write down to Revaluation Reserve					-
(623)	Depreciation & Impairment write down to Revaluation Reserve				3,155	(3,155)
(176)	Transfer of revaluation reserve on disposal				4,836	(4,836)
(1,151)	Capital Receipts transferred from Useable Capital receipts		3,973			(3,973)
27	Repayment of loan		(6)			6
5,567	Write Off Rented Premises					-
(772)	Write Off Rented Premises - Revaluation Reserve Balances					-
(176,070)	**Balance Carried Forward**	**(12,813)**	**3,967**	**785**	**7,991**	**(176,000)**

- **Deferred Capital Receipts Reserve**

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

2009/10	**Deferred Capital Receipts Reserve:**	**General Fund Balance**	**Capital Receipts Reserve**	**Deferred Capital Receipts Reserve 2010/11**
£000		**£000**	**£000**	**£000**
(55)	Balance Brought Forward			(49)
-	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	2,933		(2,932)
6	Transfer to the Capital Receipts Reserve upon receipt of cash		(10)	10
(49)	**Balance Carried Forward**	**2,933**	**(10)**	**(2,971)**

106

- **Donated Assets Account**

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

.

2009/10	**Donated Assets Account:**	**General Fund**	**Donated Assets Account 2010/11**
£000		**£000**	**£000**
(799)	Balance Brought Forward		(799)
-	Upward Revaluation of assets	1,804	(1,804)
-	Adjustment between historic cost and current value depreciation (including 09/10 adjustment)	(55)	55
(799)	**Balance Carried Forward**	**1,749**	**(2,548)**

- **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.

2009/10	**Financial Instruments Adjustment Account:**	**General Fund Balance**	**Financial Instruments Adjustment Account 2010/11**
£000		**£000**	**£000**
1,855	Balance Brought Forward		1,380
	Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the Year in Accordance with Statutory Requirements in relation to:		
(7)	Interest Paid on Short Term Loans	7	(7)
(468)	Icelandic Banks	869	(869)
1,380	**Balance Carried Forward**	**876**	**504**

Movement in FIAA for Iceland	**Heritable Bank**	**Kaupthing Singer & Friedlander Ltd**	**Total**
	£000	**£000**	**£000**
Impairment 2008/09	326	1,190	1,516
Impairment Adjustment 2009/10	(61)	(310)	(371)
Total Impairment to Date	795	880	1,145
Interest Accrued 2008/09	(61)	(117)	(178)
Interest Accrued 2009/10	(40)	(58)	(98)
Total Interest Posted to FIAA	(101)	(175)	(276)
Icelandic Impairment to General Fund in 2010/11	**694**	**705**	**869**
Impairment Adjustment 2010/11 posted directly to General Fund	-	(325)	(325)
Use of Reserve in 2010/11			**544**

- **Pensions Reserve**

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

2009/10 *£000*	**Pension Reserve:**	**General Fund Balance** **£000**	**Pension Reserve 2010/11** **£000**
92,007	Balance Brought Forward		230,759
137,427	Actuarial gains or losses on pensions assets and liabilities	31,527	(31,527)
15,655	Reversal of Items Relating to Post Employment Benefits Debited or Credited to the (Surplus) / Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement (Note 7)	39,321	(39,321)
(14,330)	Employer's Pensions Contributions & Direct Payments to Pensioners Payable in Year	14,562	(14,562)
230,759	**Balance Carried Forward**	**85,410**	**145,349**

109

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 68

2009/10	**Collection Fund Adjustment Account:**	**General Fund Balance**	**Collection Fund Adjustment Account 2010/11**
£000		**£000**	**£000**
(1,188)	Balance Brought Forward		(645)
543	Amount by which Council Tax income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(1,008)	1,008
(645)	**Balance Carried Forward**	**(1,008)**	**363**

- **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.

2009/10	**Accumulating Compensated Absences Adjustment Account (Note 36):**	**General Fund Balance**	**Accumulating Absences Account 2010/11**
£000		**£000**	**£000**
4,068	Balance Brought Forward		3,351
(717)	Amount by which Officer remunerations charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from the Remuneration chargeable in the Year in Accordance with Statutory Requirements	(1,168)	1,168
3,351	**Balance Carried Forward**	**(1,168)**	**4,519**

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

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

1 April 2009	**General Fund Earmarked Reserves**	**1 April 2010**	**Transfers Out**	**Transfers In**	**Movement between Reserves**	**31 March 2011**	**Purpose of the Earmarked Reserve**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	
38	Local Government Reorganisation	-	-	-	-	-	To meet future repayments due in respect of Local Government Reorganisation.
3,751	Departmental Reserves	3,466	(2,437)	2,302	6	3,337	These will have been identified by the Cabinet or the Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
-	Commercial Property Portfolio	6,000	(1,217)	-	(1,442)	3,341	To meet the future costs associated with the Council's property portfolio to mitigate the effects of the recession, and impact of void and vacant properties.
4,541	Insurance	2,408	-	599	-	3,007	To provide for future claims (self insurance). A number of risks, contingencies and financial losses are held covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £25,000 per loss, are also met by the Reserve.
2,080	Schools Capital	1,306	(722)	-	-	584	School revenue reserves put aside for funding future school capital schemes.
-	Grant Certification	250	-	-	-	250	Possible repayment of grant allocations which are subject to audit certification.
-	Icelandic Bank Investment	838	(545)	-	(293)	-	The cost associated with the Icelandic Banks and the resultant impairment to the sums invested. (See Note 17 for further detail)
1,000	Available for Capacity Building	2,810	(3,683)	5,288	1,729	6,144	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
-	Salix Carbon Reduction	-	-	375	-	375	To fund specific carbon reduction projects
11,410	**Total Reserves**	**17,078**	**(8,604)**	**8,564**	**-**	**17,038**	

19 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2010/11	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Total PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2010 Closing Book Value	279,760	42,536	145,645	9,354	17,775	495,070
2009/10 Impairment	(20,461)	(2,516)	-	(3,993)	-	(26,970)
1 April 2010 Gross Book Value	**259,299**	**40,020**	**145,645**	**5,361**	**17,775**	**468,100**
Additions	13,711	5,221	16,950	41	7,089	43,012
Revaluation increase recognised in the Revaluation Reserve	31,553	-	-	238	-	31,791
Revaluation increase recognised in the (Surplus) / Deficit on Provision of Services	9,983	-	-	53	-	10,036
Derecognition - Disposals	(273)	(1,633)	-	-	-	(1,906)
Assets reclassified to Held for Sale	(1,625)	-	-	(4)	-	(1,629)
Assets Under Construction Completed In Year	8,112	2,256	1,793	447	(14,103)	(1,495)
At 31 March 2011	**320,760**	**45,864**	**164,388**	**6,136**	**10,761**	**547,909**
Accumulated Depreciation						
At 31st March 2010	(35,052)	(24,198)	(41,166)	(4,004)	-	(104,420)
	20,461	2,516	-	3,993	-	26,970
At 1 April 2010	**(14,591)**	**(21,682)**	**(41,166)**	**(11)**	**-**	**(77,450)**
Depreciation Charge	(7,226)	(5,642)	(6,875)	(3)	-	(19,746)
Depreciation written out to the Revaluation Reserve	6,551	-	-	8	-	6,559
Depreciation written out to the (Surplus) / Deficit on Provision of Services	3,074	896	-	-	-	3,970
Impairment losses / (reversals) recognised in the Revaluation Reserve	(8,457)	(11)	-	(30)	-	(8,498)
Impairment losses / (reversals) recognised in the (Surplus) / Deficit on Provision of Services	(17,022)	(1,114)	-	(554)	-	(18,690)
Derecognition - Disposals	1	1,235	-	-	-	1,236
Elimination on reclassification to Assets Held for Sale	(58)	-	-	-	-	(58)
At 31 March 2011	**(37,728)**	**(26,318)**	**(48,041)**	**(590)**	**-**	**(112,677)**
Net Book Value - At 31 March 2011	**283,032**	**19,546**	**116,347**	**5,546**	**10,761**	**435,232**
Net Book Value - At 31 March 2010	*244,708*	*18,338*	*104,479*	*5,350*	*17,775*	*390,650*

Comparative Movements in 2009/10

Property, Plant & Equipment (PPE) – 2009/10	*Other Land & Buildings*	*Vehicles, Plant & Equipment*	*Infra-structure Assets*	*Community Assets*	*Assets under Construction*	*Total PPE*
Cost or Valuation	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 April 2009	*253,509*	*42,973*	*131,394*	*2,844*	*9,454*	*440,174*
Additions	*8,563*	*4,075*	*13,457*	*416*	*12,033*	*38,544*
Revaluation increase recognised in the Revaluation Reserve	*15,067*	*142*	*-*	*3,284*	*-*	*18,493*
Revaluation increase recognised in the (Surplus) / Deficit on Provision of Services	*2,669*	*-*	*-*	*-*	*-*	*2,669*
Derecognition - Disposals	*(317)*	*(4,704)*	*-*	*-*	*-*	*(5,021)*
Derecognition - Other	*-*	*-*	*-*	*-*	*-*	*-*
Assets reclassified (to) / from Held for Sale	*(363)*	*-*	*-*	*2,810*	*-*	*2,447*
Assets Under Construction Completed In Year	*632*	*50*	*794*	*-*	*(3,712)*	*(2,236)*
At 31 March 2010	*279,760*	*42,536*	*145,645*	*9,354*	*17,775*	*495,070*
Accumulated Depreciation						
At 1 April 2009	*(11,996)*	*(21,392)*	*(34,629)*	*(8)*	*-*	*(68,025)*
Depreciation Charge	*(10,818)*	*(7,356)*	*(6,537)*	*-*	*-*	*(24,711)*
Depreciation written out to the Revaluation Reserve	*-*	*-*	*-*	*-*	*-*	*-*
Depreciation written out to the (Surplus) / Deficit on Provision of Services	*4,210*	*-*	*-*	*-*	*-*	*4,210*
Impairment reversals recognised in the Revaluation Reserve	*(10,010)*	*-*	*-*	*-*	*-*	*(10,010)*
Impairment reversals recognised in the (Surplus) / Deficit on Provision of Services	*(6,442)*	*(154)*	*-*	*(3,993)*	*-*	*(10,589)*
Derecognition - Disposals	*4*	*4,704*	*-*	*-*	*-*	*4,708*
Other movements in Depreciation & Impairment	*-*	*-*	*-*	*(3)*	*-*	*(3)*
At 31 March 2010	*(35,052)*	*(24,198)*	*(41,166)*	*(4,004)*	*-*	*(104,420)*
Net Book Value - At 31 March 2010	*244,708*	*18,338*	*104,479*	*5,350*	*17,775*	*390,650*
Net Book Value - At 31 March 2009	*241,389*	*21,581*	*96,765*	*2,836*	*9,454*	*372,025*

20 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 9 on page 23.

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

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

2009/10 £000		**2010/11 £000**
50,221	Balance at start of year	45,945
	Additions:	
8,407	Purchases	-
35	Subsequent Expenditure	192
-	Disposals	(955)
2,134	Revaluations	16,560
(10,699)	Impairments	(21,730)
(4,153)	Assets Written Out	-
45,945	Balance at end of the Year	40,012

21 Intangible Assets

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

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

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

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

31 March 2010 £000	**Intangible Assets**	**Remaining Amortisation Period Years**	**31 March 2011 £000**
752	EDRM Software	2	550
812	Integrated Case Management System	2.5	530
1,564	**Total**		**1,080**

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

Internally Generated Asset	*Software & Other Assets*	*2009/10 Total*	**Intangible Assets**	**Internally Generated Asset**	**Software & Other Assets**	**2010/11 Total**
£000	*£000*	*£000*	Balance at 1 April:	**£000**	**£000**	**£000**
91	4,105	4,196	Gross Carrying Amounts	147	5,244	5,391
(13)	(2,164)	(2,177)	Accumulated Amortisation	(57)	(3,097)	(3,154)
78	1,941	2,019	**Net Carrying Amount at Start of the Year**	**90**	**2,147**	**2,237**
			Additions			
56	-	56	Internal Development	-	-	-
-	1,302	1,302	Purchases	-	1,393	1,393
-	83	83	Assets Under Construction Completed in Year	-	20	20
-	(19)	(19)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	(5)	(13)	(18)
(44)	(1,160)	(1,204)	Amortisation for the period	(30)	(1,064)	(1,094)
90	2,147	2,237	**Net Carrying Amount at the End of Year**	**55**	**2,483**	**2,538**
147	5,244	5,391	Gross Carrying Amounts	142	6,644	6,786
(57)	(3,097)	(3,154)	Accumulated Amortisation	(87)	(4,161)	(4,248)
90	2,147	2,237	**Net Carrying Amount at the End of Year**	**55**	**2,483**	**2,538**

115

22 Surplus Assets and Assets Held for Sale

The following note details assets which are surplus to the Council's service needs. Surplus assets that meet the strict 'Assets held for sale' criteria are shown as current assets in the table below. Surplus assets that do not meet the 'Assets held for sale' criteria are shown as Non current assets.

.2009/10			**2010/11**	
Surplus Assets Non-Current Assets	*Assets Held for Sale Current Assets*	**Surplus Assets and Assets Held for Sale**	**Surplus Assets Non-Current Assets**	**Assets Held for Sale Current Assets**
£000	*£000*		**£000**	**£000**
7,104	*1,045*	Balance at 1 April:	**4,862**	**7,780**
362	*2,242*	Property, Plant and Equipment Newly Classified as Current Asset	-	1,629
-	*(75)*	Revaluation Losses	-	-
100	*5,150*	Revaluation Gains	19,930	2,224
(8)	*(210)*	Impairment Losses	(543)	(1,369)
(2,807)	*-*	Property, Plant and Equipment Declassified as Held for Sale	-	(7)
-	*(372)*	Assets Sold	(228)	(5,003)
117	*-*	Transfers from Non Current to Current	(148)	148
-	*-*	**Other movements:**	-	-
(14)	*-*	Depreciation Charged In Year	(21)	-
8	*-*	Additions	19	122
-		Capital Costs Incurred In Preparation For Disposal	511	622
4,862	*7,780*	**Balance Outstanding**	**24,382**	**6,146**

23 Capital Commitments

As at 31 March 2011 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2010/11 and future years budgeted to cost £30.0m as approved within the MTFS. Similar commitments at 31 March 2010 were £5.9m. The major commitments are:

Description of Contract / Capital Scheme	Value of contract	Value outstanding at 31/3/11
	£000	**£000**
Roads and Bridges	6,300	1,012
Peterborough Museum	120	96
School Works	10,628	5,806
Building of Ormiston Bushfield Academy	20,667	17,958
Affordable Housing Grants	4,403	4,403
Sports Centre & Swimming Pools	718	656
Werrington Car Park	257	113
Total	**43,093**	**30,044**

24 Effects of Changes in Estimates

The Code places greater emphasis on accounting for component parts of individual assets. For assets that have been revalued during 2010/11, where the asset value is material, components have been separately identified and depreciation charged accordingly.

The change in methodology has resulted in a depreciation charge of £514k lower than would have been calculated under the previous methodology. The impact of this change will carry forward into future years and apply to a greater number of assets as the Council's assets are revalued as part of the rolling revaluation programme.

25 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment measured at fair value and is revalued at least every four years. The valuations in 2010/11 were carried out by Wilks Head & Eve (WHE) and totalled £42m. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

that needed to replace the remaining service potential at least cost

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Valued at fair value as at:				
31 March 2011	21,223	(73)	19,443	40,593
31 March 2010	12,871	116	919	13,906
31 March 2009	6,417	-	595	7,012
31 March 2008	37,420	-	299	37,719
Total Valuation	**77,931**	**43**	**21,256**	**99,230**

26 Impairment Losses

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

During 2010/11 the Council has recognised an impairment loss of £6.0m for Ken Stimson School. This is due to a timing issue relating to the difference between the carrying value of the asset and the PFI Asset value in reference to the Unitary Charge. The recoverable amount of the asset has been revalued on the Depreciated Replacement Cost (DRC) methodology, with the resultant impairment loss charged to the Education & Children's Services line in the Comprehensive Income and Expenditure Statement. The Council's valuers Wilks Head & Eve (WHE) have used DRC where fair value cannot be determined from market evidence.

For both the Bretton Crematorium and the Oxney Road Traveller's Site the useful economic lives of these assets have been revised. The Council has recognised an impairment loss of £1.2m and £1.1m respectively to adjust the depreciation charge not charged in previous years, due to the use of longer life estimations. The impairment losses have been charged to the Cultural, Environmental, Regulatory & Planning service line in the Comprehensive Income and Expenditure Statement.

A secure Children's Home facility was enhanced in 2010/11. Whilst capital expenditure of £6.7m has been spent on improving the facilities at the Home it has not significantly increased the value of the building under the current valuation methodology. The Council has recognised an impairment loss of £5.1m, which has been charged to the Education & Children's Services line in the Comprehensive Income and Expenditure Statement.

During 2010/11 the Corn Exchange Building was demolished to make way for the Public Realm works. As a result of this regeneration project the Council has recognised an impairment loss of £3.5m, and changed the asset classification from Investment Property to Open Space therefore requiring different valuation methodologies to be applied. The impairment loss has been charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

27 Capital Expenditure and Capital Financing

2009/10 £000		2010/11 £000
196,339	**Opening Capital Financing Requirement**	216,046
	Capital Investment	
26,910	Property, Plant and Equipment	35,924
12,033	Assets Under Construction	7,089
8,442	Investment Properties	192
-	Assets Held for Sale	141
1,358	Intangible Assets	1,393
12,571	Revenue Expenditure Funded from Capital under Statute	14,502
772	Capitalisation Direction	502
10	Loans to Third Parties	-
	Sources of Finance	
(1,151)	Capital Receipts	(3,973)
(33,223)	Capital Grants & Contributions	(32,456)
(8,015)	Sums set aside from revenue (inc.direct revenue financing and (MRP)	(8,753)
216,046	**Closing Capital Financing Requirement**	**230,607**
	Explanation of movements in year	
	Increase in underlying need to borrow:	
7,696	Supported borrowing	6,192
19,764	Unsupported / Prudential borrowing	17,035
262	Assets acquired under finance leases	87
	Decrease in underlying need to borrow:	
(8,015)	MRP	(8,753)
-	Capital receipts set aside to repay debt	-
19,707	**Increase in Capital Financing Requirement**	**14,561**

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

2009/10 £000	Body of Grant Funding Applied	2010/11 £000
130	Big Lottery Fund	233
8,191	Department for Communities & Local Government	5,048
378	Department for the Environment, Farming and Rural Affairs	72
7,065	Department for Transport	6,273
13,529	Department of Education	14,582
179	Department of Health	219
497	East of England Development Agency	613
288	English Partnerships (Padholme Drain Scheme)	145
-	Homes and Communities Agency	175
-	Partnership for Schools	3,128
-	The Home Office	17
329	Government Offices (East of England)	500
780	Various	-
31,366	**Total Grants Applied**	**31,005**
817	Section 106 Contributions	923
1,040	Third Party Contributions	528
1,857	**Total Contributions applied**	**1,451**
33,223	**Total Grants & Contributions applied**	**32,456**

2009/10 £000	Reconciliation of Grant Funding Applied to Capital Financing	2010/11 £000
27,282	Grants Received in 2010/11 (Note 12)	22,792
8,728	Grants used to Fund Revenue Expenditure Funded from Capital under Statute	9,331
(3,539)	Grants Received in 2010/11 not applied in year	(452)
762	Grants applied from Capital Grants Unapplied Account	785
33,233	**Total Grants & Contributions applied**	**32,456**

28 Private Finance Initiatives (PFI) and Similar Contracts

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

Two of the schools have Foundation status, and in line with the Audit Commission guidance, are not recognised on the Council's Balance Sheet, see Note 47 for additional information.

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 2011

(excluding any estimation of inflation and availability / performance deductions) are as follows:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
Payable:	**£000**	**£000**	**£000**	**£000**
In 2011/12	1,442	3,186	3,102	7,730
Within two to five years	5,821	11,680	14,188	31,689
Within six to ten years	5,234	11,199	25,055	41,488
Within 11 to 15 years	5,486	8,684	29,661	43,831
Within 16 to 20 years	9,011	7,662	29,805	46,478
Within 21 to 25 years	11,312	3,678	34,486	49,476
Within 26 to 30 years	3,079	(456)	11,818	14,441
Total	**41,385**	**45,633**	**148,115**	**235,133**

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 2010 £000		**31 March 2011 £000**
(44,124)	Balance brought forward	(42,784)
1,340	Lease liability redemption in the year	1,399
(42,784)	**Value of Total Liability carried forward**	**(41,385)**
(1,399)	Short Term Liability	(1,442)
(41,385)	Long Term Liability	(39,943)
(42,784)	**Value of Total Liability carried forward**	**(41,385)**

29 Council as Lessee - Finance Leases

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

31 March 2010		**31 March 2011**
£000	**Council as Lessee - Finance Leases**	**£000**
2,416	Other Land & Buildings	2,946
3,056	Vehicles, Plant Furniture & Equipment	2,208
5,472	**Total**	**5,154**

Two land leases, held on 999 year leases, are at peppercorn rent, whilst the two industrial site units are carried on the Council's Balance Sheet as Investment Property at the net book values shown above.

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

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

31 March 2010		**31 March 2011**
£000	**Finance Lease Liabilities (net present value of minimum lease payments)**	**£000**
1,074	Current	1,102
4,628	Non-current	3,596
22,546	Finance costs payable in future years*	21,734
28,248	**Minimum lease payments**	**26,432**

** Leases range from five to ninety five years outstanding*

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

31 March 2010			**31 March 2011**	
Min. Lease Payment	*Finance Lease Liabilities*	**Minimum lease payments**	**Min. Lease Payment**	**Finance Lease Liabilities**
£000	*£000*		**£000**	**£000**
1,893	*1,074*	Not later than one year	1,757	1,102
3,850	*2,106*	Later than one year & not later than five years	2,457	1,074
22,505	*2,522*	Later than five years *	22,218	2,522
28,248	*5,702*	**Total**	**26,432**	**4,698**

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2011 the minimum payments expected to be received under these sub-leases was £277k (£254k in 2009/10). The majority of the vehicles held under finance leases were used within City Services. When this department was transferred to Enterprise Peterborough the leases were retained and the vehicles sub-leased to Enterprise Peterborough. In order to achieve Best Value from the charges made by Enterprise Peterborough to the Council these sub-leases are at zero cost, offset by a reduction in the overall contract sum paid.

Council as Lessee - Operating Leases

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

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

31 March 2010		31 March 2011
£000	**Council as Lessee - Operating Leases**	**£000**
824	Not later than one year	645
2,714	Later than one year & not later than five years	2,568
1,297	Later than five years	812
4,835	**Total**	**4,025**

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

31 March 2010		31 March 2011
£000	**Council as Lessee - Operating Leases**	**£000**
875	Minimum lease payments	851
-	Contingent rents	-
(17)	Sublease payment receivable	(17)
858	**Total**	**834**

Council as Lessor - Finance Leases

The Council has leased land on long term leases, these include playing fields and Nene Park. The leases are at peppercorn or minimal value rents only.

Council as Lessor – Operating Leases

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

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

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

31 March 2010		31 March 2011
£000	**Council as Lessor - Operating Leases**	**£000**
2,850	Not later than one year	2,655
10,036	Later than one year & not later than five years	8,575
29,155	Later than five years*	28,214
42,041	**Total**	**39,444**

** Leases range from five to one hundred and fifteen years outstanding*

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

30 Financial Instruments

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

2009/10		2010/11
£000	**Financial Assets**	**£000**
747	Interest income	141
371	Impairment Adjustment	325
1,118	**Total for Financial Assets**	**466**
	Financial Liabilities	
(3,265)	Interest payable relating to PFI	(3,338)
(7,085)	Interest payable on borrowings	(6,949)
(10,350)	**Total for Financial Liabilities**	**(10,287)**
(9,232)	**Net loss for the year**	**(9,821)**

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

31 March 2009		*31 March 2010*		**Financial Instruments Balances**	**31 March 2011**	
Long Term	*Current*	*Long Term*	*Current*		**Long Term**	**Current**
£000	*£000*	*£000*	*£000*		**£000**	**£000**
7,205	*26,790*	*758*	*2,632*	Investments - Loans & Receivables	457	449
299	*23,312*	*280*	*25,242*	Debtors - Loans & Receivables	2,334	24,842
(117,006)	*(19,278)*	*(117,006)*	*(19,272)*	Borrowings - Financial Liabilities at Amortised Cost	(115,387)	(20,883)
(48,482)		*(46,183)*		Other Long Term Liabilities - PFI & Finance Lease Liabilities	(43,688)	
	(9,534)		*(9,664)*	Creditors- Financial Liabilities at Amortised Cost		(8,385)

31 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 2011 have been used for loans from the PWLB
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable
- no early repayment is recognised
- the Fair Value of trade debtors is taken to be the invoiced or billed amount

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

31 March 2009		*31 March 2010*		**Fair Value of Assets and Liabilities Carried at Amortised Cost**	**31 March 2011**	
Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*		**Carrying Amount**	**Fair Value**
£000	*£000*	*£000*	*£000*		**£000**	**£000**
(145,818)	*(147,603)*	*(145,942)*	*(145,093)*	Financial Liabilities	(144,655)	(133,197)
(48,482)	*(48,482)*	*(46,183)*	*(46,183)*	Long Term Creditors	(43,688)	(43,688)
The Fair Value of the liabilities in 2010/11 is lower that the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the Balance Sheet date.						
57,307	*57,545*	*28,632*	*28,639*	Loans & Receivables	25,748	25,746
299	*299*	*280*	*280*	Long Term Debtors	2,334	2,334
The Fair Value of the assets in 2010/11 is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date,						

32 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

- Deposits are made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100 million of the total amounted deposited in the highest rated category.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £50 million in total.
- No more than £15 million is held with any one institution, regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Services Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Sector Treasury Services Ltd.

Whilst the Council was able to invest as per the above criteria, it actually minimised the risk further by only investing with the Debt Management Office, its banking provider and other Local Authorities.

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

124

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

Deposits with UK banks & building societies (excluding Icelandic Banks)	**£000**
Amount as at 31 March 2011	18,272
Historical Experience of Default %	-
Historical Experience Adjusted for Market Conditions as at 31 March 2011	-
Estimated Maximum Exposure to Default & Uncollectabilty Total	-
Estimated Maximum Exposure at 31 March 2011	-

Bank	**Heritable Bank £000**	**Kaupthing Singer & Friedlander Ltd £000**	**Total £000**
Date Invested	02/04/07	03/04/07	
Interest Rate	6.07%	5.90%	
Principal Amount Invested	1,000	2,000	3,000
Interest Accrued 2008/09	61	117	178
Carrying Amount	1,061	2,117	**3,178**
Impairment 2008/09	(326)	(1,190)	(1,516)
Impairment 2009/10	61	310	371
Impairment 2010/11	-	325	325
Total Impairment to Date	(265)	(555)	**(820)**
Recoverable Amount	**796**	**1,562**	**2,358**
Principal Default	1.83%	3.66%	

Prior to 2008/09 and the experience in relation to the investments in Icelandic Banks, the Council had no experience of default.

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. Other customers of the Council's goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council. The Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts.

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

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

The Council does not allow credit for customers, and the £9m debtors balance can be analysed by age as follows:

2008/09 £000	*2009/10 £000*	**Age of Trade Debt**	**2010/11 £000**
5,349	*12,200*	Less than three months	5,732
1,133	*929*	Three to six months	443
140	*311*	Six months to one year	550
857	*1,752*	More than one year	2,482
7,479	*15,192*	**Total**	**9,207**

Liquidity risk

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

The Council's strategy to reduce this risk, is to spread the profile of maturing loans to ensure that a significant number do not all mature in the same year. The Council's cashflow is forecast, in detail, for up to 12 months ahead and more broadly for the succeeding two years. The majority of the Council's in-hand balances are revenue in nature and consequently a significant proportion of its investment portfolio is held repayable on demand or on notice to accommodate cash outflows. Cash surpluses are typically deposited to dates when cash shortages are expected to occur.

The maturity analysis of financial liabilities is as follows:

2008/09	*2009/10*	**Maturity analysis of financial**	**2010/11**
£000	*£000*	**liabilities**	**£000**
(28,849)	*(28,936)*	Less than one year	(29,268)
(2,444)	*(4,171)*	Between one and two years	(2,247)
(9,476)	*(6,842)*	Between two and five years	(5,888)
(153,531)	*(152,176)*	More than five years	(150,940)
(194,300)	*(192,125)*	**Total**	**(188,343)**

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

Market risk

Interest rate risk

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

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

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

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

- the borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty
- depending upon economic conditions the Council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high

- variable interest rate borrowings should not exceed 25% of total gross borrowing
- during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden
- the risk of increasing interest outlay is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provides compensation for a proportion of any higher costs

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £17.3m but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

Foreign Exchange Risk

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

33 Inventories

1 April 2009 £000	*31 March 2010 £000*	**Inventories**	**31 March 2011 £000**
204	*431*	City Services Stores	187
351	*124*	Other Stock Balances	297
555	*555*	**Total**	**484**

Landfill Allowance Trading Scheme

Costs in relation to the Landfill Allowance Trading Scheme are reflected within the Cultural, Environmental and Planning service line in the Comprehensive Income and Expenditure Statement. The Council received allowances for 30,335 tonnes (34,135 in 2009/10), and used 30,000 tonnes during the year (30,367 in 2009/10). The balance of stock was not deemed to have a value as at 31 March 2011 (also nil value in 2009/10).

34 Debtors

1 April 2009 £000	31 March 2010 £000	Debtors (Each item is net of impairment)	31 March 2011 £000
9,259	9,118	Central Government Departments	13,546
-	8,049	NNDR reimbursement from pool	7,709
611	572	Cambridgeshire County Council	502
182	46	National Heritage (Lottery)	178
4,685	2,936	Cross Keys Homes	2,004
344	25	Council House Tenants	18
3,215	4,205	Council Tax Arrears	4,738
1,922	1,876	Payments in Advance	2,466
15,003	23,169	General Debtors	17,433
35,221	49,996		48,594
		Outstanding Balances on Loans	
14	37	Loans to Employees (Car Purchase)	42
35,235	50,033	**Total Debtors**	**48,636**

35 Creditors

1 April 2009 £000	31 March 2010 £000	Creditors	31 March 2011 £000
(1,511)	(415)	Central Government Departments	(415)
(5,594)	-	Peterborough Primary Care Trust	-
(753)	(335)	Council Tax Overpaid	(460)
(708)	(666)	NNDR Overpaid	(1,104)
(1,727)	(851)	Capital Schemes	-
(13,768)	(13,271)	Deposits / Receipts in Advance	(7,198)
(34,778)	(32,261)	General Creditors	(43,824)
(58,839)	(47,799)	**Total Creditors**	**(53,001)**

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

1 April 2009 £000	31 March 2010 £000	Capital Grants Receipts in Advance	31 March 2011 £000
-	-	Department for Communities & Local Government	(4)
-	-	Department for the Environment, Farming & Rural Affairs	(18)
(4,199)	(9,226)	Department of Education	(14,589)
-	(9)	East of England Development	(9)
(580)	(365)	Homes and Communities Agency	(219)
-	-	Other third party contributions	(126)
-	-	Partnership for Schools	(2,762)
(6,743)	(7,176)	Section 106 Contributions	(7,882)
(11,522)	(16,776)	**Total**	**(25,609)**

128

36 Provisions

1 April 2009	**Provision Description**	**1 April 2010**	**Additional Provision**	**Amounts Used or Reversed**	**31 March 2011**
£000		**£000**	**£000**	**£000**	**£000**
	Long Term Provisions				
(68)	Social Care Repayment - Following a House of Lords Judgement, services provided under Section 117 of the Mental Health Act were adjudged to be free. The provision represents the liability due to be repaid.	(68)	-	-	(68)
(1,224)	Insurance Claims - This represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain. This provision is split into short and long term.	(1,464)	(43)	-	(1,507)
-	Appointee Provision – Client money held on account to be repaid	-	(36)	-	(36)
	Short Term Provisions				
(4,068)	Accumulated Absences – employee holiday and flexi-time accumulated in 2010/11 and carried forward into 2011/12	(3,351)	(4,519)	3,351	(4,519)
(183)	Insurance Claims – see above.	(219)	(57)		(276)
(737)	Payroll - Redundancy related payments, regarding decisions made in 2009/10 but paid in 2010/11	(482)	-	482	-
(5)	Lenders Option Borrowing Rates – provision to equalise revenue charges on low interest rate loans	-	-	-	-
-	Charges from suppliers which are uncertain or in dispute - These represent two charges from suppliers that are currently in dispute and three charges from suppliers that are of an uncertain amount.	(177)	(313)	158	(332)
-	Legal/Grant Penalty Payment - Under the terms of a Grant that has been received in full, there is a possibility that the Council may have to repay a proportion under penalty clauses. The additional provision is for a potential fine against the council and for legal claims which are dependant on the result of a government or court decision.	(240)	(614)	-	(854)
	Children's Services – Costs dependant on the results of an investigation	(30)		-	(30)
(6,285)	**Total**	**(6,031)**	**(5,582)**	**3,991**	**(7,622)**

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(1,933)	Interest Received	(341)
10,361	Interest Paid	10,289

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2009/10 £000		2010/11 £000
46,522	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	39,456
-	Purchase of Short-Term & Long-term Investments	-
13,330	Other Payments for Investing Activities	14,314
(2,325)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(2,818)
-	Proceeds from Short-Term & Long-Term Investments	(573)
-	Other Receipts from Investing Activities	(9,330)
57,527	**Net cash flows from investing activities**	**41,049**

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2009/10 £000		2010/11 £000
(31,208)	Cash Receipts of Short & LongTerm Borrowing	-
-	Other receipts from Financing Activities	-
2,279	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	2,489
-	Repayments of Short- & Long-Term Borrowing	-
13,934	Other Payments for Financing Activities	9,261
(14,995)	**Net cash flows from financing activities**	**11,750**

40 Cash Flow Statement – Cash and Cash Equivalents

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

2008/09 £000	2009/10 £000		2010/11 £000
14,500	10,272	Short Term Cash Investments	18,272
126	110	Petty Cash & Imprest	79
1,207	(331)	Bank Current Accounts	(2,717)
15,833	10,051	**Total Cash & Cash Equivalents**	**15,634**

41 Trust Funds

The Council administers 14 trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2011 was £94,638 (£105,008 at 31 March 2010). Interest is allocated to the funds at bank base rate.

130

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £13,284 (£60,400 at 31 March 2010) all invested internally.

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

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

These Trust Funds are not included in the Council's balance sheet and not subject to separate audit.

42 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party.
- Municipal Mutual Insurance (MMI) - In 1992-93 the Council's insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council under this arrangement is £316,000. It is possible that a proportion of this may need to be repaid by the Council if the scheme of arrangement is triggered by insolvency, but the amount cannot be quantified at this stage. The Company still predicts a solvent run off.
- As part of the single status agreement, made between the National Joint Council (NJC) and Councils, the Council has reviewed the pay and grading structure to ensure equal pay for work of equal value. The new structure was implemented on the 1 March 2008, backdated to the 1 April 2007. Employees have the option to appeal against the initial outcomes of the re-grading process. The majority of these have now been settled but there are a small number of legal claims in process.
- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied. Reimbursement of grants may be necessary if it is found that the Council has not met the term and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.
- In addition to information provided from the land charges register, from 1 April 2009 the Local Authorities (Endland)(Charges for property searches) Regulations 2008

authorised the Council to sell additional information eg on building control information, to personal search agencies. The Information Commission has since decided that certain classes of information and environmental information can be inspected free of charge. Personal search agencies are now in the process of reclaiming the amounts they paid. The liability to repay these amounts has not yet been fully established, but if it is, it could be in the order of £200k.

- Adult Social Care is delivered in partnership with NHS Peterborough (NHSP), per Note 2 of these accounts. NHSP have recently made the Council aware that there were financial pressures with adult social care service provision relating to 2010/11 and earlier years. The Council is currently discussing with NHSP how these pressures should be dealt with under the terms of the partnership agreement and at this stage it is not possible to estimate whether any further amounts may be due under the partnership agreement.

43 Contingent Assets

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

44 Accounting Standards That Have Been Issues but Have Not Yet Been Adopted

a) Heritage Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements.

The Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. Full adoption of the standard will be required for 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council include:

Heritage Assets:	**Approx. Value for Insurance Purposes £000**
Items held in trust at the Museum, which include:	
• Library Collection	
• Fossils	4,824
• Paintings	
• Archaeological Collection	
Libraries Archive Collection	35
Civic Insignia	156
Guildhall Property	440

Heritage assets, as listed above, are not currently recognised in the financial statements as no information is available on the cost of the assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise the above listed assets on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values) held by the Council in respect of the collection.

The Council estimates that the value of its heritage assets from its insurance records is £5.5m as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £5.5m, i.e. a revaluation gain.

The Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

b) Community Assets Measurement: Impact of the Change in Accounting Policies on the 2011/12 Financial Statements

As a consequence of the adoption of FRS30 in the Code, see element a) above, the Code added the option for local authorities to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet. The Council has opted to change its accounting policy in the financial year 2011/12 as it believes that valuation is a better measurement of economic benefits and service potential of the assets.

The Council is required to disclose information relating to the impact of this change in accounting policy in the 2011/12 financial statements in a note to the 2010/11 financial statements.

The carrying amount for community assets at the 1 April 2010 is £5.4m. The adoption of the heritage assets standard will mean that the Guildhall property, currently classified as community assets within Property, Plant and Equipment will be reclassified as heritage assets.

The Code will permit a move to a valuation basis for community assets in 2011/12. The Council plans to recognise the remaining community assets in the balance sheet at existing use value in property, plant and equipment. This valuation has been provided by the Council's valuers, WHE.

The remaining community assets of the Council are all land assets which have an unlimited useful life and therefore depreciation is not charged. As this is consistent with the current accounting policy there are no changes to the depreciation charged.

45 Critical Judgement in Applying Accounting Policies

In applying the accounting policies, set out from page 70, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels for funding for local government. The current local government settlement is for two years only. The Council has produced a five year Medium Term Financial Strategy (MTFS), which anticipates future funding reductions and the actions which will be taken in order to achieve a balanced budget. The current MTFS delivers a balanced budget for the Council for the next three years from 2011/12 to 2013/14. This plan is refreshed and approved in February each year, and work is currently underway on the next refresh, including tackling the financial challenges after the next three years. Therefore the Council has determined that there is no additional impact on the accounts or accounting policies.

- During 2010/11 the coalition government invited all schools in England to become Academies and encourage parents to set up their own schools, called free schools. Some schools within the Peterborough area already have Academy status with a few more expressing interest. Academies do not fall within the remit of the Local Education Authority. The Council would be required to remove assets linked to the school from the Balance Sheet and not consolidate the income and expenditure in the Comprehensive Income and Expenditure Statement.

- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 20, page 42.

- The Council has three arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons:

  - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.

  - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14 Related Party Transactions.

  - Vivacity Peterborough Culture and Leisure – during the year the Council set up a charitable organisation to manage its cultural and leisure facilities and services. The Council does not have control of the Trust and it is not a subsidiary of the Council.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	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 £289k for every year that useful life is reduced
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 Investment Properties and Assets Held for Sale balances by a total of £146k. 7% of the Council's asset base is valued at Market Value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.	The effects on net pensions liability of changes in individual assumptions can be measured. For instance, • a 0.5% decrease in discount rate assumption would result in a increase in pension liability of 10% or £41m • a 1 year increase in member life expectancy would result in a increase in pension liability of 3% or £12m

Item	Uncertainties	Effect if Actual results Differ from Assumptions
		• a 0.5% increase in the salary increase rate would result in an increase in pension liability of 2% or £8m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 8% or £32m
Arrears	At 31 March 2011 the Council had a balance of £8.6m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 16% or £1.4m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same debt profile, an additional contribution of £139k would be set aside as an allowance. If 10% of the debt portfolio was one year older, a contribution of £94k would be set aside as additional allowance.
Icelandic Investments	The investment has been impaired to reflect the recovery rates expected as at 26 May 2011. The final repayments are not anticipated until January 2013 for Kaupthing Singer & Friedlander Ltd, and October 2012 for Heritable Bank. The final cost therefore could be greater or lower depending on the final recoverable amounts and the timings of payments.	If the expected dividend was increase by 1% the amount the carrying value of the asset would increase by £146k. If the final dividend was received a year earlier than currently anticipated, the carrying value of the asset would increase by £15k.

47 Transition Arrangements from UKGAAP to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the results that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts 2009/10.

The following table, on page 67, shows the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

- **Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required

136

to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefit. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

- **Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the code.

- **Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Elements of government grant deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- **Capital**

- Assets held for sale – under the code assets to be classified as ‘held for sale’ must meet strict criteria, and are shown as current assets. Previously assets were held on the Balance Sheet as Surplus Assets when they were no longer used for service delivery.
- Investment properties – under the Code assets are classed as investment properties when they are held solely

for the purpose of income generation or capital appreciation. Property held for service reasons ie economic development, but not for service delivery are not classed as investment properties as was previously the case.

- Donated assets – under the Code assets that have been acquired at a reduced to nil or a nominal amount for non-commercial reasons eg a property bequeathed to the Council requires a donated asset to be recognised.

  The Council has amended the financial statements to recognise the Peterborough museum and art galley, and the EG1 number plate that were both donated to the Council during the 1960's.

- **Private Finance Initiative (PFI)**

For 2010/11 the Council received clarification with regards to the treatment of schools with Foundation status which occupy an asset that was funded via the PFI arrangement. Previously the asset and liability of PFI arrangement were brought onto the Council's Balance Sheet, however this treatment was in conflict with the Foundation status. Two of the three schools covered by the PFI arrangement have Foundation status and therefore the Council's Balance Sheet has now been amended to de-recognise the school's assets.

The Council's balance sheet continues to show the whole PFI liability as this arises from the capital element of the PFI arrangement. The liability is financed via the PFI grant which continues to be paid to the Council as part of the Revenue Grant. The PFI grant is not guaranteed and as such the Council continues to have primary responsibility.

- **Provisions**

Under the Code, provisions are required to be classified as current liabilities or non-current liabilities. Previously all Provisions were classed as long term liabilities, regardless of the timing of payment. Provisions are classified as a current liability when:

- it is expected to settle the provision in its normal operating cycle (normally within 12 months)
- the liability is due to be settled within 12 months after the reporting period, or
- the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Provisions which do no meet these criteria are classified as long-term liabilities.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended by increasing current liabilities by £1.1m and decreasing non-current liabilities by £1.1m

48 Authorisation of the Accounts

The Executive Director - Strategic Resources authorises these accounts to be issued on 26 September 2011.

Transition Arrangements to IFRS	2009/10 Statements	Accumulating Absences Adjustment	Leases	Government Grants	Capital	PFI	Provisions	2009/10 Restated
Comprehensive Income & Expenditure Statement	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Central Services to the Public	2,055	4	-	87	-	-	-	2,146
Court Services	298	-	-	-	-	-	-	298
Cultural, Environmental, Regulatory & Planning Services	39,089	11	(2)	1,406	(19)	-	-	40,485
Education & Children's Services	53,503	(750)	(125)	2,815	(116)	(1,825)	-	53,502
Highways & Transport Services	14,924	4	-	2,380	-	-	-	17,308
Other Housing Services	2,095	1	-	-	-	-	-	2,096
Adult Social Care	39,740	-	-	20	-	-	-	39,760
Corporate & Democratic Core	3,313	2	-	38	-	-	-	3,353
Non Distributed Costs	1,016	-	-	-	-	-	-	1,016
Cost of Services	**156,033**	**(728)**	**(127)**	**6,746**	**(135)**	**(1,825)**	**-**	**159,964**
Other Operating Expenditure	2,964	10	(861)	358	(10,161)	-	-	(7,690)
Financing & Investment Income & Expenditure	15,508	-	960	-	8,564	-	-	25,032
Taxation & Non-Specific Grant Income	(143,683)	-	-	(28,132)	-	-	-	(171,815)
(Surplus) / Deficit on Provision of Services	**30,822**	**(718)**	**(28)**	**(21,028)**	**(1,732)**	**(1,825)**	**-**	**5,491**
Other Comprehensive Income & Expenditure	**132,984**	**-**	**-**	**-**	**(5,520)**	**-**	**-**	**127,464**
Total Comprehensive Income & Expenditure	**163,806**	**(718)**	**(28)**	**(21,028)**	**(7,252)**	**(1,825)**	**-**	**132,955**
Balance Sheet								
Long Term Assets	505,441	-	5,473	-	(6,874)	(59,308)	-	444,732
Current Assets	63,271	-	-	-	7,780	-	-	71,051
Current Liabilities	(99,339)	(3,351)	(1,071)	33,339	-	-	(1,148)	(71,570)
Long Term Liabilities	(493,324)	-	(4,618)	83,723	815	-	1,148	(412,256)
NET ASSETS	**(23,951)**	**(3,351)**	**(216)**	**117,062**	**1,721**	**(59,308)**	**-**	**31,957**
Usable Reserves	(25,698)	-	-	(5,467)	(82)	-	-	(31,247)
Unusable Reserves	49,649	3,351	216	(111,595)	(1,639)	59,308	-	(710)
TOTAL RESERVES	**23,951**	**3,351**	**216**	**(117,062)**	**(1,721)**	**59,308**	**-**	**(31,957)**

The Collection Fund and Notes

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

2009/10		**Collection Fund**		**2010/11**	
£000	*£000*		Notes	**£000**	**£000**
		Income			
(59,825)		Council Tax (net)	1	(61,948)	
(11,548)		Transfer from General Fund - Council Tax benefits		(12,321)	
(82,662)		Business Ratepayers (NNDR)	2	(80,410)	
	(154,035)	**Total Income**			**(154,679)**
		Expenditure			
9,031		Cambridgeshire Police Council Precept	3	9,393	
3,090		Cambridgeshire Fire Council Precept	3	3,206	
58,928		Demand by Peterborough City Council	3	61,060	
	71,049	**Total Precepts**			73,659
81,130		Payment to NNDR National Pool		79,519	
278		NNDR cost of collection allowance		273	
	81,408	**Total Business Rates**			79,792
1,870		Change in provision	4	1,317	
	1,870	**Total Bad and Doubtful Debts**			1,317
		Contribution to previous year's estimated surplus:			
45		Cambridgeshire Police Council Cambridgeshire Fire Authority	3	143	
16		Cambridgeshire Fire Council	3	49	
300		Peterborough City Council	3	934	
	361	**Total surplus**			1,126
	154,688	**Total Expenditure**			**155,894**
	653	**Deficit for the year**			**1,215**

140

1 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	33,368	22,245
B	7/9	18,385	14,299
C	8/9	12,149	10,799
D	9/9	6,663	6,663
E	11/9	3,949	4,827
F	13/9	1,719	2,483
G	15/9	827	1,378
H	18/9	62	124
Total		77,122	62,818

The Band D Equivalent shown above is calculated by applying the relevant factor but is before statutory discounts, exemptions, etc., and any allowance for non-payment which is at the discretion of each Council. The tax base used for Council Tax setting purposes after taking account of these factors was 55,395 (54,835 in 2009/10).

2 National Non-Domestic Rates

As at 31 March 2011 the total national non-domestic rateable value against the 2010 list was £229,205,560 (£229,870,746 at 1 April 2010) linked to 5,375 properties with the national multiplier set at 43.3p.

The amount due is calculated by reference to the actual charge during the year, which changes on a daily basis. The gross charge is further reduced because of reductions due to successful appeals, voids, interest on refunds and reliefs.

3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

2009/10	Preceptor	Precept / Demand	Share of Deficit at 31 March	2010/11 Total
£000		**£000**	**£000**	**£000**
58,685	Peterborough City Council	61,994	(1,008)	60,986
8,994	Cambridgeshire Police	9,536	(155)	9,381
3,078	Cambridgeshire Fire	3,255	(52)	3,203
70,757		74,785	(1,215)	73,570

4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.4m as at 31 March 2011 against arrears of £6.7m. At 31 March 2010, the provision stood at £2.4m against arrears of £6.2m.

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (eg in the collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

Cash and Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance

143

Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value
- The change in the net pension liability is analysed into seven components:
    - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve
    - contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

Exceptional Items

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

Financial Instruments

<u>Financial Liabilities</u>

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

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

For the three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Movement in Reserves Statement.

146

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

However, the Council has made a number of loans to voluntary organisations as less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial

147

Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

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

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

<u>Area Based Grant</u>

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during 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. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

149

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

Inventories

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

Investment Properties

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

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses and therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transation with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principals of the CIPFA *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

153

Impairment

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has a major component whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This policy has been applied prospectively from 1st April 2010.

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

157

Value Added Tax (VAT)

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

Glossary

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

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

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

Council – is a shortened name for 'Local Council' – see below.

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

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

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

Capital Adjustment Account – This account was created at midnight on 31 March 2007 and its opening balance was made up of the balance on the Fixed Asset Restatement Account (FARA) and the Capital Financing Account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instrument – Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instrument Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.

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

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

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

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

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

IAS 19 - This is an International Accounting Standard (which replaces Financial Reporting Standard 17) now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in Financial Accounts. It is based on the principle of recognising pension costs in the financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

163

Index of Notes to the Core Financial Statements

PETERBOROUGH
CITY COUNCIL

Annual Governance Statement - 2010/11

Annual Governance Statement

Scope of Responsibility

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

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

This statement explains how the City Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (England) Regulations 2011, which requires the City Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

The Purpose of the Governance Framework

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

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

The Governance Framework

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

166

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

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

In March 2008, the City Council approved and adopted a Local Code of Corporate Governance, which provided in-depth details of the framework the City Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance "*Delivering Good Governance in Local Government*". The following paragraphs summarise the City Council's Governance Framework which has been in place for the year ended 31st March 2011 and up to the date of approval of this Statement and the Statement of Accounts.

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

Creating and Implementing a Vision

Good governance means focusing on the purpose of the City Council, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the City Council achieves this:

- The Council has a clear statement of its purpose and vision as set out in the Sustainable Community Strategy (SCS). This sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. This Single Delivery Plan, together with Departmental Business Plans provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle..
- The SCS for Peterborough was agreed by the Greater Peterborough Partnership in 2005 and fully refreshed to set out vision for Peterborough covering 2008 - 2021. It sets out a vision and overall strategy for the future of the city and the surrounding villages and rural areas. It reflects both the agenda for growth and the clear desire to ensure that Peterborough grows the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It recognises that in order to create a bigger and better Peterborough, then the city will have to deal

quickly and effectively with the pressing issues of today as well as the plans for tomorrow.

- The SCS vision is to create:
  - *A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth;*
  - *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings;*
  - *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*
- There are four priorities for areas of work which are needed in order to achieve the vision and each of these is supported by four high level outcomes that form the basis of the Local Area Agreement. The four priorities are:
  - Creating Opportunities - Tackling Inequalities
  - Creating Strong and Supportive Communities
  - Creating the UK's Environment Capital
  - Delivering Substantial and Truly Sustainable Growth
- Led by the City Council, the SCS is a shared view across partners and the community about what needs to be done to improve the economic, social and environmental wellbeing of the local area. Partner organisations are expected to take account of the SCS when they prepare their own organisation's business plan.
- The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend departmental delivery contracts, service plans and business plans.
- The SCS contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. Performance is normally reported to Cabinet on a quarterly basis and is monitored through various Scrutiny Committees. Performance information is available across the council through the council's corporate project management system, Verto.
- The Council has a medium term financial plan (MTFP) and capital programme to ensure that resources are aligned to priorities. The budget process incorporate consideration of the allocation of resources to the corporate aims. The MTFP allows annual strategic review in the context of performance against aims and sets targets of efficiency improvement to release resources for deployment. Monitoring reports are submitted to the Corporate Management Team, (CMT) and to Cabinet and issues are referred to other Scrutiny Commissions as appropriate.
- Value for money is embedded in the Council's culture, and underpins the strategic priorities. Through reviews by External Audit, external agencies, Internal Audit, and internal review

168

teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised. The council has an ambitious business transformation programme to take the council forward.

- There are two work streams for the transformation programme.
  - Focus on procurement - aiming to deliver ongoing annualised savings. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. These achievements have resulted in the Council being nominated for, and also winning a number of national awards.
  - Driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes; reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity.
- Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintain appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through the Audit Committee. Changes to the overall risk profile of the council are reported through to members on the Audit Committee on a periodic basis, the most recent being in the March 2011 committee cycle.
- When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the SCS supported by the Local Area Agreement which articulates it.
- The Council has a comprehensive comments, compliments and complaints scheme. This is used to identify areas where service quality is not satisfactory and to take action to improve. As an organisation, the Council is committed to meeting the service needs of a very diverse community, and looks to meet the "*Equality Framework for Local Government".*

Roles and Responsibilities of Members and Officers

Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions are clear.

- The Council is governed by a constitution which sets out the main control mechanisms. The Council appoints a Cabinet. Made up of the Leader, Deputy Leader and 8 other members, who are responsible for proposing budgets and policies and taking key decisions in relation to their various portfolios. In addition, the Cabinet have appointed 1 other member to act as Cabinet Advisor on strategic portfolio activities. The manner in which Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

- As well as Cabinet, other Committees are in place to cover the functions of Scrutiny, Regulatory and Neighbourhood Committees.
  - The Council has 6 Scrutiny Committees which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. Although they have no decision making powers, the Commissions / Committees are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented.
  - These non-executive members also serve on 8 Regulatory Committees which consider a variety of non-executive functions which Cabinet, by law, cannot undertake or has been agreed should not be considered by Cabinet. The committees are all cross-party and can include cabinet members.
  - Neighbourhood Committees have been set upon across the city. These will deliver improvements for the local area by identifying, overseeing, monitoring and driving actions to support all issues relevant to the area, including service delivery, service improvements and area developments.
- All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. The Council's Constitution contains a Code of Conduct for Councillors, protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.
- Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this was the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.
- The Council ensures that effective management arrangements are in place at the top of the organisation. The Councils Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs the Corporate Management Team.
- The Executive Director (Strategic Resources) as the s.151 Officer appointed under the 1972 Local Government Act carries overall responsibility for the financial administration of the City Council. The Executive Director is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.
- The Solicitor to the Council, as Monitoring Officer, carries overall responsibility for legal compliance and the maintenance of high standards of conduct by providing advice and support to Members and Officers.
- Regular CMT meetings are held. In addition, Executive Directors meet their respective Cabinet Members on a regular

basis. A Heads of Service Forum supports the work of CMT on a number of issues. In addition, there are a series of officer working groups who meet to deal with a range of specific service as well as cross cutting issues.

- All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the harmonisation agreement implemented in 2008, and are regularly refreshed and amended following consultation with Unions. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel at least annually.

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

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- The Solicitor to the Council, after consultation with the Chief Executive and Executive Director (Resources) can report to Full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities defining the standards of behaviour such as:
    - Members Code of Conduct
    - Officers' Code of Conduct
    - Member / Officer Protocol
    - Planning Code of Conduct
    - Member declarations of interest
    - Gifts and hospitality
    - Grievance procedures
- The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:
    - Anti Fraud and Corruption Policy and Fraud Response Plan
    - Confidential Reporting Code (Whistleblowing Policy);
    - Human Resources policies regarding disciplinary of staff involved in such incidents.
- Member and Officer behaviour is governed by separate Codes of Conduct. These include a requirement for declarations of interest to be completed. Conduct of Members is monitored by a Standards Committee, independently chaired, which also investigates allegations of misconduct of Members. The Standards Committee has a defined work programme which it

reviews at each meeting which includes planned reviews of relevant codes and protocols within the Constitution.

- The Corporate Complaints procedures enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
- Many services across the organisation abide by, or have achieved various accredited status of excellence, as well as being shortlisted for and winning a number of national awards. These include:
  - The Council has maintained Investors in People accreditation, and has been awarded “bronze” staus for the whole Council.
  - Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards.
  - Strategic Resources achieved a number of successes in recent years with the LGS Awards, Government Business Awards, and Municipal Journal Awards. It was the LGC Finance Winner for Efficiency 2009 for Manor Drive and Customer Services and shortlisted for the LGC Main Award for Efficiency and Transformational Government in March 2010. From the Government Business Awards in March 2010 it was winners for Procurement and Waste, and shortlisted for Finance.
- The Council's financial management is conducted in accordance with the financial rules set out in the Constitution, the Budget Framework, Financial Regulations, Contract Regulations and Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place. Furthermore, the arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Executive salaries and £500 spending transactions are disclosed in order to maintain transparency.
- Full Council approves a balanced budget before the start of each financial year. This includes a Medium Term Financial Strategy, annual reviewed, under which it plans its finances, target efficiency savings required and potential council tax implications over a three year rolling period. During the year, budget monitoring reports are taken to Management Teams and Members on a regular basis.

Decision Making, Scrutiny and Risk

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible for all Executive Decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan in so far as they can be anticipated. This is reviewed at each Cabinet Meeting.
- The Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved

budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.

- The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. Scrutiny Committees have power to review the decisions of Cabinet and Cabinet Members, through the "call-in" process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.
- The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". Responsibility for Internal Audit rests with the Chief Internal Auditor. Reporting lines are within the Strategic Resources Directorate, with reporting lines to the Head of Corporate Services, Executive Director (Strategic Resources) as well as access to the Chief Executive, Monitoring Officer and members as required.
- The Internal Audit division plans and priorities its work around risk based auditing approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of their work includes monitoring agreed action plans. This ensures compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members (through the Audit Committee), the Chief Executive, Executive Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. The Council undertook a fundamental review of its risk management approach, culminating in a revised strategy in September 2009.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the Council achieves this:

- The Councils structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises value of well trained and competent people in effective service delivery. In developing Members' skills, the Council has an overall development strategy in place.
- Members of the Audit Committee are provided with training specific to its responsibilities before every Committee meeting. The focus is on key governance issues such as risk management and internal control, together with scrutiny arrangements for the accounts. Individual briefings are enhanced by the Audit Committee Handbook.
- The council also provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given

to all: such as freedom of information and data security, procurement and financial regulations.

- Senior Managers have been through the Vision 2010: Building Managers for the Future programme, the purpose being to provide the necessary tools to support managers in delivering improved services linked explicitly to business outcomes and to enable them to display the expected leadership behaviours. Further acknowledgement of the Council's commitment to ensuring that staff are equipped with the appropriate skills and capabilities to perform comes in the form of the Investors in People accreditation.
- All officers have comprehensive job descriptions and person specifications and the Council has a process in place to review performance for all staff. The scheme was recognised as needing review and a new system of Performance Development Review has been introduced. Where capability issues are identified, appropriate processes are in place to try to resolve these.
- As the needs of Councils become more and more stretched by finite resources, alternative service delivery methods have been explored. This has lead to the development of shared service arrangements with other councils, with Peterborough being the lead authority. These include opportunities with Rutland (for Legal and Trading Standards) and Cambridge City (for Internal Audit).

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views of local people.
- Every year, together with our partners, we carry out many consultation exercises. The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. These have included Citizens Panel; Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people; Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings.
- All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.
- Our commitment to partnership working is demonstrated in our approach to community leadership. To give local citizens a greater say in local decision making, the Council established 7 Neighbourhood Committees to cover the city and its surrounds. Neighbourhood Committees are open public meetings that are held at a local venue every two or three months. The meetings

are an opportunity for residents to find out what is happening in their area and to discuss the big issues and priorities. Residents meet with local ward Members and representatives from the Police, Health and Council. The Neighbourhood Councils are local leadership groups which agree priorities, decide where community grants are to be spent where available, monitor performance and decide upon the vision for the neighbourhood. In addition to neighbourhood councils, ongoing work in the community is also facilitated through the Parish Council Liaison Committee.

- On an annual basis the Council publishes information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year.

- When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate.

- The Council has identified a number of significant partnerships. These are:

    - Peterborough PCT - an integrated NHS body delivering integrated health and adult social care services. A Section 31 Partnership Agreement between the Council and the PCT delegates delivery of adult social care services to the Trust. The partnership is governed by an Annual Agreement that details performance and financial matters. The Care Trust produces its own internal assurances about the effectiveness of its internal control environment that are monitored by the Executive Management Team, the Audit Committee (chaired by a Non Executive Director) and the full Board.

    - The Children and Young Peoples Trust - a partnership between the Council and the organisations that have a duty to cooperate under the Children's Act 2004 to deliver integrated and coordinated services to children, young people and their families.

    - Peterborough Culture and Leisure Trust (Vivacity) - partnership set up to secure new and improved facilities which commenced from May 2010.

    - Opportunity Peterborough - a partnership between the Council, the East of England Development Agency (EEDA), Homes and Communities Agency (HCA) and the Government's Department for Communities and Local Government to drive the sustainable growth of the city. This has now reverted back to the Council.

    - Significant outsourced partnerships include the provision of street scene activities previously undertaken by City Services. This is now provided by Enterprise. In addition, Council back office facilities provided through Manor Drive are currently going through a similar tendering exercise. Expected delivery is from November 2011.

    - A Health and Well Being Board will shortly be set up to oversee expectations and service deliverables following the transfer of various activities and partnering with the PCT.

Review of Effectiveness

The Council annual reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors, and also by comments made by the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- There is a well resourced scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
- The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members. Service standards have been agreed with the Monitoring Officer and a report on the number and progress of complaints against members is received at each meeting. It has developed, and continually monitors, its own work programme and reports annually to Council on its previous year's performance. The Monitoring Officer has consistently met the statutory reporting requirement to Standards for England. This will change following the proposals from central government to abolish the reporting standards.
- The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and the annual statement of accounts. Annually, the Internal and External Audit Plans are approved through the committee. The Committee met 7 times during the year receiving regular reports and training on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion of the internal control, risk management and governance arrangements. Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee. A review against the CIPFA Statement on the Role of the Head of Internal Audit shows that the Council meets the principles.

- The Governance section within Legal and Democratic Services undertakes fraud investigations and detection work.
- Risk management is handled through a range of mechanisms. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.
- Work undertaken as part of the Strategic Governance Board. Made up of senior officers from across the Council and members, including the Chair of Standards Committee, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
- The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee.
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued for the financial year 2009 / 2010, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on . The main conclusions from the Letter are an unqualified audit opinion on the financial statements together with deadlines for the production and publishing of final accounts by 30 September 2010 were met.

The year end review of the governance arrangements and the control environment included:

- The Chief Internal Auditors' annual opinion on the status of the Council in terms of the governance and overall controls. For this year he has provided an unqualified opinion.
- Assurance from Executive Directors and their management teams on the key elements of the control framework were in place in their departments. A separate annual evaluation questionnaire is circulated to each department and completed through their departmental teams, allowing for overall ownership within the groups. They were also asked to identify areas where control weaknesses had resulted in significant issues arising. The statement itself has been circulated to all Directors for consideration and is supported by them as an accurate reflection on the governance arrangements in place for the year.
- Assurance from Members. A separate questionnaire was issued to all members to seek their views on the governance arrangements in place to support and develop them and to provide suggestions on how any shortfalls or gaps could be addressed.

Significant Governance Issues

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. For each issue, detailed action plans have been determined, a responsible officer identified and a summary of the key elements are included in the table below. Conversely, there are a number of items which were included in 2009 / 2010 which have been excluded as significant progress has been made in addressing the issues such that they are no longer considered a threat to the control environment. These items are:

- Sickness management. Reductions have been made to the level of sickness, in particular short term absence. Ongoing proactive works will continue to reduce still further.
- Effective recruitment. Pre-employment checks have been enhanced.
- Shared services. Ongoing development to reduce costs while maintaining or enhancing service levels.

Ongoing Governance Issues Identified in 2010 / 2011

Issue	Area for Improvement
Use of Consultants	Following an independent review of the use of consultants, various actions were identified to put in place improved governance arrangements. Lead Officer: Director of Strategic Resources
Development of Neighbourhood Committees	Following a corporate review of the operations of Neighbourhood Councils, a number of changes were agreed at Cabinet / Full Council in March / April 2011. Appropriate governance needs to be in place to ensure effective decision making and resource devolvement. Lead Officer: Head of Neighbourhood Services
Delivery of Medium Term Financial Strategy	Ongoing savings underpin the delivery of the MTFS. Regular monitoring needs to be in place to ensure successful delivery. Lead Officer: Head of Corporate Services

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 balance 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.

178

Signed:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor Marco Cereste, Leader of the Council

Date:

This page is intentionally left blank