PETERBOROUGH CITY COUNCIL

AUDIT COMMITTEE

MONDAY 28 JUNE 2010
7.00 PM

Bourges/Viersen Rooms - Town Hall

THERE WILL BE A TRAINING SESSION FOR AUDIT COMMITTEE MEMBERS ON MONDAY 21 JUNE 2010 AND WILL BE HELD IN THE FORLI ROOM. THIS WILL COMMENCE AT 6.00 P.M. AND WILL COVER THE PREPARATION OF AND SCRUTINY OF THE FINAL ACCOUNTS.

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING.

AGENDA

Committee Members:

Councillors: M Collins (Chairman), H Newton (Vice-Chairman), P Kreling, Simons, Stokes, D Harrington and S Goldspink

Substitutes: Councillors: P Nash, C W Swift and G Murphy

Further information about this meeting can be obtained from Gemma George on telephone 01733 452268 or by email – gemma.george@peterborough.gov.uk

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452268 as soon as possible.

PETERBOROUGH CITY COUNCIL

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 29 MARCH 2010

Present:	Councillors M Dalton (Chairman), North, Kreling and Fitzgerald.
Officers in attendance:	Steve Crabtree, Chief Internal Auditor Steven Pilsworth, Head of Strategic Finance Victoria Bales, Senior Business Continuity and Risk Officer Stuart Hamilton, Resilience Services Manager Chris Hughes, PricewaterhouseCoopers Israr Ahmed, Lawyer Gemma George, Senior Governance Officer

1. Apologies for Absence

Apologies were received from Councillor Rush and Councillor Goldspink.

Councillor Fitzgerald attended as a substitute.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 8 February 2010

The minutes of the meeting held on 8 February 2010 were approved as an accurate and true record.

4. External Audit: Grant Claim Certification Work

A report was submitted to the Committee which had been prepared by the Council's External Auditor, PricewaterhouseCoopers (PwC)

The External Auditor was required to report to the Audit Committee the outcome of work to certify claims and returns made by the Council during 2008 / 2009. During the year, PwC had undertaken various certifications of claims and returns on behalf of the authority. The report presented to the Audit Committee was the Annual Report on this work and summarised the findings and made recommendations for improvements to the Council's systems and procedures in this area.

The Committee was advised that excluding works on the European Regional Development Fund (EDRF), 7 claims had been certified during the year, 4 of which were qualified although none had been amended.

Members were invited to comment on the report and the following issues and observations were highlighted:

- Members sought further clarity on the EDRF position. Members were advised that significant issues had been experienced with regards to the certification of ERDF claims. These were historic projects relating to the period 2000 - 2008. The certification work which had been undertaken on the majority of these grants was limited to agreeing the income and expenditure figures in the claims to underlying records, but this had proved onerous due to poor audit trails.
- Members questioned how the results highlighted in the report compared with those of previous years. Members were advised that over the last 3-4 years the results had been extremely robust. The situation with the EDRF claims was unusual as the grants were historic. The issues highlighted overall were minor and good progress was being made.

ACTION AGREED:

The Committee received, considered and endorsed the final report produced by External Audit in relation to the certification of grant claims and considered its role in monitoring work on the certification of grant claims.

5. Risk Management and Business Continuity

The Committee received a report which provided an update on the Council's Risk Management Strategy.

On 7 September 2009, the Audit Committee received and agreed the New Risk Management and Business Continuity Policy and accepted its role within it, of "monitoring and supporting the Council's risk management arrangements".

Members were advised that the Strategic Risk Register was in the process of being reviewed, in conjunction with Directors and Strategic Improvement. A full update on strategic risks would be available in June 2010.

Members were further advised that the Strategy had been reviewed and updated to reflect progress and practical changes. The latest version of the Strategy was contained within the Audit Committee Handbook which had previously been circulated to Members. Key changes to the Strategy included:

- Revised self assessment scores and new targets scores; and
- A change in risk matrix review periods from 1, 3 and 12 months to 3, 6 and 12 months. It was felt that a 1 month review date was impracticable, however, in the event of a significant risk, a 1 month (or less) review date could be imposed if necessary.

Operational risk assessment process had assisted the review and update of the business continuity plans. It also provided a useful profile of areas of high risk, which could be escalated to the strategic registers where necessary.

There were a number of key ongoing issues for 2010 which had been highlighted these included:

- Completion of operational risk profile;
- Revision of Service and Corporate Business Continuity plans;
- Review of Strategic (corporate) risk register;
- Coordination of Strategic and Departmental risk registers;

- Regular risk “conversations” within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM / BCM into procurement processes; induction briefings; business plans etc

ACTION AGREED:

The Committee received, considered and endorsed the revised Risk Management Strategy.

6. Assurance Framework

The Committee received a report which informed Members of the Assurance Framework (AF), which was an initiative designed to further consolidate the Council’s Risk Management Framework.

The AF was laid out in sections according to the objectives and priorities specified in the Sustainable Community Strategy. It was also intrinsically linked with the Annual Governance Statement (AGS).

The Council’s AF provided a simple but comprehensive method to implementing effective and focused management on obtaining assurance relating to the achievement of key council priorities, its Partners and Stakeholders and the inherent risks to achieving this.

The Framework provided a structure and reporting process which assisted the Audit Committee in carrying out a number of its duties.

The Key priorities and key risks where assurance was required had been identified from the Strategic Risk Register, the Annual Governance Statement, together with the Assurance Framework. The sources of assurance had been obtained from internal and external sources.

The Framework referenced the documented evidence that identified the key risk areas, the current position of these, the actions being implemented and the mechanisms for reporting on progress. 62 areas of assurance had been sought from across the Council which covered all service areas and activities. Summary information on each activity was highlighted in the framework and Members were advised that 2 risks had improved and none had got worse. There had been a number of changes and improvements to the control and assurance environment, particularly around governance arrangements and the credit crunch.

Members were invited to comment on the framework and the following issues and observations were highlighted:

- Investments were highlighted as having full assurance and Members questioned where the Council’s investments were located in view of the situation that had occurred with the Icelandic Banks. Members were advised that the Council’s investments were situated in major UK banks covered by a government guarantee.
- With regards to Climate Change, which was highlighted as having moderate assurance, Members commented that a close eye would need to be kept on this going forward as the weather was so variable.

Members were assured that the appropriate strategies were in place to ensure the needs of the Council were fulfilled.

- Members questioned why there were only 2 changes highlighted in the risks, it was expected that more would have been highlighted. Members were informed that the framework provided a snapshot of the risks and fluctuation did occur. Work was currently being undertaken around the Annual Governance Statement so over the forthcoming weeks further changes may be highlighted. Changes were also to be implemented to the Risk Register and this could further highlight changes to the risks.
- Members questioned why the framework did not include a "no assurance" level. Members were advised that the Framework was separate to the Internal Audit assurance levels; however the use of the four levels, including "no assurance" would be looked into going forward.
- The Committee queried whether "moderate assurance" was classed as being acceptable. The Committee was advised that there were a number of risks moving to full assurance and moderate assurance was classed as acceptable, but would be reviewed in conjunction with the previous question.
- Members noted their concerns regarding the assurance levels around Estate Utilisation and the Credit Crunch, which were both highlighted as having "further work required".

ACTION AGREED:

The Committee received, scrutinised and approved the revised Assurance Framework.

7. Annual Governance Statement

The Committee received a report which set out the background to the Annual Governance Statement and the process to be followed in order to compile the statement for 2009 / 2010.

Authorities were required to put in place proper arrangements for the governance of their affairs, facilitating the effective exercise of their functions and arrangements for the management of risk. The arrangements should enable the organisation to respond appropriately to significant business, operational, financial compliance and other risks so that it can achieve its objectives.

Each authority was required to publish an Annual Governance Statement, describing governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitated its operation.

A Statement of Corporate Governance would assist in providing the Council with the assurance that proper arrangements were in place to ensure that the Council's business was conducted in accordance with the law, proper standards, and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively.

Members were informed of the process to be followed for the review of the statement 2009 / 2010, which included Executive Directors being asked to complete an Assurance Statement and Committee Chair / Vice Chairs being asked to complete a questionnaire which would seek their views on key governance arrangements. The statements and questionnaires would then be summarised and the actions for improvements would be compiled as part of the Annual Governance Statement. A variety of evidence would also be used to compile the statement as outlined in the Audit Committee Handbook. Feedback would also be taken on board from PricewaterhouseCoopers who had reviewed the Council's previous statement.

Members were invited to comment on the report and it was highlighted that the questionnaire should be sent to all Members. Members were advised that this request would be actioned.

ACTION AGREED:

The Committee noted the proposed process for the Annual Governance Statement 2009 / 2010 encompassing Executive Director's Assurance Statements and Members' Assurance Questionnaires.

8. Internal Audit Plan and Strategy 2010 / 2011

The Committee received a report which sought its endorsement on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

The Audit Strategy documented the way in which Internal Audit intended to deliver its service and how it ensured its work complied with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it stated how the work of the Internal Audit would provide the assurances required for the production of the statutory Annual Governance Statement.

The Annual Operational Plan described the individual audit reviews which were to be undertaken during the year. In order to determine the scope of the plan for 2010 / 2011 a systematic risk assessment of all auditable areas had been undertaken. This was informed by the review of the Strategic Risk Register, Divisional Risk Registers, the Assurance Framework, Director and Heads of Service consultation, council and government initiatives and the Medium Term Financial Strategy.

The plan highlighted the minimum amount of work that the Internal Audit Service (IAS) had assessed should be undertaken after considering its available resources.

Members commented that the provision of the Audit Committee Handbook had enabled them to have a clearer understanding of the Internal Audit Plan.

ACTION AGREED:

The Committee considered, endorsed and commented on the proposed Annual Internal Audit Strategy and Operational Plan for 2010 / 2011.

9. Feedback Report

The Chief Internal Auditor submitted the latest Update and Feedback Report for consideration.

Members were advised that there were four issues requiring action which had been highlighted at the previous meeting of the Audit Committee. Action had been taken on each of the points, including the issuing of a letter which had been requested by the Chair of the Audit Committee, to Castor Primary School congratulating them on their full assurance.

ACTION AGREED:

The Committee noted the Feedback Report.

10. Work Programme 2010 / 2011

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that an additional item had been added to the programme for 2010 / 2011, this was the Treasury Management Strategy.

Members were further advised that any training needs would be discussed at the first meeting of the new municipal year.

ACTION AGREED:

The Committee noted and approved the 2010 / 2011 Work Programme.

The Chair of the Audit Committee addressed the all those present and stated that he had enjoyed chairing the meeting over the past year and thanks were extended to Members, Officers and PwC for all their hard work.

The meeting closed at 7.35 p.m.

AUDIT COMMITTEE	AGENDA ITEM No. 4
28 JUNE 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	**Deadline date :** *28th June 2010; statutory deadline for approving Accounts*

1. Members are requested to note that this report presents the Statement of Accounts for 2009/10. Members of the Committee are required to scrutinise the figures being presented. The Statement of Accounts, which will be referred to, in the remainder of this report, as the Accounts, remains subject to External Audit by PriceWaterhouseCoopers (PwC).
2. This report recommends that the Audit Committee:
   i. Scrutinises the Accounts for the year ended 31 March 2010.
   ii. Approves transfers to / from Reserves, as set out in the Note 42 to the Core Financial Statements in the Accounts in accordance with the recommendations of the Executive Director Strategic Resources.
   iii. Approves the draft Accounts for the year ended 31 March 2010 as attached at Appendix 1, in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006).

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2003 (amended 2006). The Council's Constitution delegates this matter to the Audit Committee.

2.2. The Accounts must be approved by 30 June 2010, in accordance with the Accounts and Audit Regulations 2003 (amended 2006).

2.3. The Council Section 151 officer (Executive Director Strategic Resources) has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2010.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	**NO**	If Yes, date for relevant Cabinet Meeting	

4. KEY ISSUES

Format of the Accounts 2009/10

4.1. The Accounts for 2009/10 conform with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Code of Practice for Local Authority Accounts and the new Statement of Recommended Practice (SORP). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.

4.2. The key contents of the various sections are as follows:

- *Explanatory Foreword* – provides an understandable guide to the most significant matters reported in the accounts.
- *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council's finances
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
- *Income and Expenditure Account* – reports the income and expenditure for all the Council's services in 2009/10, and demonstrates how that cost has been financed from general government grants and income from taxpayers
- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2010
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2010
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2009/10
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *notes* and by the *Statement of Accounting Policies.* There is no longer a Housing Revenue Account statement as this account no longer exists.
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.
- *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

Schools

4.3. Details on Schools Balances are shown in Note 14 to the Core Financial Statements in the Accounts. This shows that there was a net decrease in School Balances during 2009/10 of £0.5m from £5.6m to £5.1m. It reports there were 5 Schools (from 4 at 31 March 2009) with deficit balances at 31 March 2010. These Schools are required to submit plans to the Council demonstrating how these deficits will be overcome.

Collection Fund

4.4. During 2009/10, Council Tax collection rates had an in year final collection rate of 96.06%.

4.5. The 2009 SoRP brought a change of accounting policy with regards to the Collection Fund, such that any surplus or deficit incurred is shown in the Income and Expenditure Account and the impact of this reversed out through the Statement of Movement in General Fund Balance.

4.6. For 2009/10 the Collection Fund incurred a deficit of £0.65m for the year of which the Council's share of £0.54m (£1.18m in 2008/09) is shown in the Income and Expenditure Account.

Balance Sheet at 31 March 2010

4.7. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at the balance sheet date. The following paragraphs give a high level indication of the reason for movements from last year restated Balance Sheet which total a net decrease of £163.7m.

4.8. The Revaluation Reserve represents the net movement in the value of fixed assets since 1 April 2009 and it increased by £7.6m during the year.

4.9. The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account reduced by £35.3m, as charges such as depreciation and impairment were greater than the capital receipts and grants income for the year.

4.10. The Pension Reserve, which balances the Pensions Liability, has increased by £138.8m. This is mainly because of the more unfavourable financial assumptions on 31 March 2010 compared to those at 31 March 2009 used by the actuaries in estimating the liabilities. The deficit on the local government scheme will need to be made good by increased contributions, as assessed by the scheme actuary, and the Medium Term Financial Strategy (MTFS) includes provision for this.

4.11. Changes in the revenue related balances arose from an increase in earmarked reserves of £5.5m and a decrease in schools balances of £0.5m.

Reserves and Balances

4.12. As reported to Council in February 2010, the Executive Director Strategic Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. At that Budget Meeting, the Council was advised that the it would be necessary to reduce the General Fund balance for the loss of income relating to VAT Shelter arrangement with Cross Keys Homes, and that the balance on this fund would be replenished during the MTFS.

As a consequence the closing balance for 2009/10 of the General Fund was £3.8m which will be replenished over the life of the MTFS.

Approval, signing, inspection and audit arrangements - the Accounts and Audit Regulations 2003 (amended 2006)

4.13. The Accounts and Audit Regulations 2003 (amended 2006) govern the approval process for the Accounts. They state that the Accounts "shall be signed by and dated by the person presiding at the Committee" at which they are approved (Regulation 10) and the Auditor will then decide the date from which he will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).

4.14. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2009/10. This will be considered at the Audit Committee meeting on 27 September 2010.

Annual Governance Statement

4.15. The Statement of Accounts includes the Annual Governance Statement. This document was approved by Audit Committee on 7 June 2010.

Appendices

1. Statement of Accounts 2009/10

5. CONSULTATION

5.1 No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

7.1 The Accounts and Audit Regulations 2003 (amended 2006) require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 10 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The Accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) on Local Authority Accounting and hence alternative options are limited.

9. IMPLICATIONS

9.1 There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

10.1 Budgetary control reports through 2009/10

10.2 Council 25 February 2009: Medium Term Financial Strategy

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PETERBOROUGH CITY COUNCIL

Statement of Accounts 2009/10

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

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Peterborough City Council
Statement of Accounts 2009/10

Contents

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 2003 and The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (SORP 2009).

2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2009/10. The core 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* – identifies the officer responsible for the proper administration of the Council's finances
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
- *Income and Expenditure Account* – reports the income and expenditure for all the Council's services in 2009/10, and demonstrates how that cost has been financed from general government grants and income from taxpayers
- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2010
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2010
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2009/10
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *Notes* and by the *Statement of Accounting Policies. The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.
- *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.

3 Prior Year Adjustments

The Council has adopted a new set of accounting policies as required by the 2009 SoRP in relation to Private Finance Initiative (PFI). This has changed the way that the arrangement is shown on the Balance Sheet and the way cost is charged to the Income and Expenditure Account. This change has required a change to the opening balances brought forward as at 1 April 2009 and requires a change to the 2008/09 comparative figures for all statements.

The Council has also adopted a new set of accounting policies as required by the 2009 SoRP in relation to the Collection Fund Account. There is now the requirement for any surplus or deficit arising on the Fund for the year to be shown in the Income and Expenditure Account, and for any amounts outstanding to the Fund, such as debts, to be split across the precepting authorities. This change has required a change to the opening balances brought forward as at 1 April 2009 and requires a change to the 2008/09 comparative figures for all statements.

These adjustments are a change in accounting treatment only, and do not impact directly on Council Tax. For further information about both of these prior period adjustments see Note 1, page 25.

4 Revenue Expenditure

The Income and Expenditure Account on page 20 shows the gross revenue expenditure and income together with net expenditure for 2009/10 compared to the net expenditure for 2008/09. The Income and Expenditure Account 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, do not correlate directly with BVACOP.

The Council monitors its spending against budget regularly throughout the 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 table below 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 £0.36m which was transferred to reserves.

Revenue Expenditure	**Budget £000**	**Actual £000**	**Variance £000**
Deputy Chief Executive	6,746	6,282	(464)
Legal & Democratic Services	3,697	3,376	(321)
Children's Services	45,399	45,446	47
City Services	15,794	15,864	70
Operations	24,833	25,240	407
Strategic Resources	15,286	15,183	(103)
Adult Social Care	39,518	39,518	0
Total Council Expenditure	**151,273**	**150,909**	**(364)**
Transfers to earmarked reserves			364
Shortfall of VAT Shelter monies to General Fund Balance			**(2,242)**
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			**3,758**

The financing of the budget was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	13,954
Government Grant (Area Based Grant)	10,387
Distribution from National Non Domestic Rates	60,455
Demand on the Collection Fund	59,228
Capitalisation Direction	772
Reserves	6,477
Total Financing	**151,273**

Balances

At the 31 March 2010, the General Fund working balance of the Council stood at £3.76m which is in line with the Medium Term Financial Strategy (MTFS). The Fund has been used in response to the reduced income in relation to the VAT Shelter from Cross Key Homes. It is expected that the General Fund will be replenished back up to £6m over the term of the MTFS from future VAT Shelter receipts.

The VAT Shelter is an arrangement whereby the VAT on works carried out to former Council housing stock, transferred to Cross Key Homes, is recovered. Without the Shelter, such VAT would be a cost to Cross Key Homes due to its VAT status.

The Schools balances totalled £5.1m at 31 March 2010, compared to £5.6m at 31 March 2009.

5 Capital Expenditure

The main elements of capital expenditure, compared with the revised March 2010 budget after slippage, are shown below.

Capital Expenditure	Budget per MTFS 09-10 £000	2009/10 Budget inc. slippage from 2008/09 £000	Revised Budget at March 10 £000	Outturn £000
Deputy Chief Executives	10,323	13,342	968	926
Children's Services	27,225	37,896	25,449	19,403
City Services	1,958	3,503	1,879	2,053
Operations	25,043	31,727	21,511	21,185
Strategic Resources	13,796	18,158	17,070	17,923
Adult Social Care	517	618	587	344
Total	**78,862**	**105,244**	**67,464**	**61,834**
Financed by:				
External Sources	27,438	47,858	34,588	33,223
Capital Receipts	2,106	6,433	1,151	1,150
Borrowing	49,318	50,953	31,725	27,461
Total	**78,862**	**105,244**	**67,464**	**61,834**

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

6 Collection Fund

The Collection Fund was established on 1 April 1990 under the legislation that introduced the Community Charge and National Non-Domestic Rates. The Community Charge was replaced by the Council Tax from 1 April 1993. The Council is the Billing Authority and collects precepts for Cambridgeshire Police Authority and Cambridgeshire Fire Authority.

A total of £71.4m was collectable during the year in respect of Council Tax, together with £82.6m in respect of National Non-Domestic Rates.

The Collection Fund incurred a deficit of £0.65m for the year of which the Council's share of £0.54m is shown within the Demand on Collection Fund line in the Income and Expenditure Account. This compares with the 2008/09 surplus of £1.18m included in the Statement as a prior period adjustment. See Note 1 and the Collection Fund, page 63, for further detail.

7 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 Financial Reporting Standard 17: Retirement Benefits (FRS17).

Based on the information supplied by the actuary in compliance with FRS 17, the calculated deficit on the Fund has increased during 2009/10 from the £92.0m in 2008/09 to £230.8m. The change of £138.8m is largely the result of less favourable financial assumptions used by the actuaries in estimating the liabilities at 31 March 2010, and that mortality assumptions better reflect the improvements in life expectancy compared to those used at 31 March 2009. The future year's employers' contribution has been factored in to Medium Term Financial Strategy (MTFS).

The Council's employer's contribution to the Fund was 16.4% in 2009/10. This percentage was reviewed as part of the triennial actuarial valuation in March 2007. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

8 External Borrowings & Investments

At 31 March 2010, the Council had net borrowings including cash and outstanding interest of £122.6m (£87.8m in 2008/09).

2008/09		**2009/10**
£000		**£m**
(136.3)	Borrowing*	(136.3)
48.5	Investments	13.7
(87.8)	**Net Borrowing**	**(122.6)**

*No new borrowing or rescheduling of debt was undertaken in 2009/10 (rescheduled £8.7m in 2008/09). This reflects the Treasury Management policy per the MTFS as it is currently more cost effective to run down the Council's cash balances.

9 Icelandic Banks

The Council had a total of £3m invested in two Icelandic owned banks which went into administration in October 2008. The investment was impaired in 2008/09 to make its value equal to that expected to be received from the administrators. This impairment has been revised in 2009/10 to reflect the improved recovery rates now expected, which is 79p to 85p in the £ for Heritable Bank (70p to 80p, 2008/09), and 65p to 78p in the £ for Kaupthing Singer & Friedlander, (minimum of 50p in 2008/09).

As recovery rates have improved from those used in 2008/09, the impairment of the investments has improved accordingly. An earmarked reserve has been created to cover the impairment costs related to these impairments of £0.84m based on the latest information available. It should also be noted that the final impairment costs could be lower still depending on further work by the administrators. Further details can be found in Notes 27 and 41.

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 financial pressures facing the Council continue to be challenging, with the impact of the ongoing recession, the impact of 'Baby P' on Children Social Care budgets, the slow down of development and growth, and with the uncertainty of the future local government funding.

The Council has been able to manage the expectations as set out in the Medium Term Financial Strategy (MTFS) with no detrimental impact to services. The financial position of the Council in future years is likely to be more challenging with the recent change in the country's political landscape inevitably bringing further uncertainty for local government financing, and with the Coalition Government announcing that the reduction in the country's deficit is a top priority.

The Council remains committed to its strategy in delivering service efficiencies and improvements using a proactive approach to managing Council finances and delivering a longer term financial plan covering a rolling five year cycle.

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

Independent Auditors' Report to the Members of Peterborough City Council

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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;
- approve the Statement of Accounts.

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2010 was approved at the meeting of the Audit Committee on 28 June 2010.

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 Authority Accounting in the United Kingdom ('the Code of Practice').

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; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date; and
- 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 10 to 64 present a true and fair view of the financial position of the Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Executive Director Strategic Resources: ______________________

Date: ______________________

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP 2009). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accruals of Income and Expenditure

Revenue and capital transactions are treated on an accruals basis with income and expenditure accounted for in the period in which goods and services are provided / received, whether or not the cash has actually been received or paid.

A number of items are not accrued for, but the effect is not material, e.g. gas bills where four quarterly bills are included, and staff car allowances where twelve months' payments (one month in arrears) are included. In addition, unless where material, no accruals are entered in the accounts for alterations required to Council Tax / Business Rate Bills for the financial year, which have not been actioned in time for year end.

Contingent Liabilities

Contingent liabilities are not shown in the accounting statements, but are disclosed by way of notes where there is a possible obligation which may require a payment or a transfer of economic benefits. Details are shown in Note 45.

Government Grants and Contributions

Whatever the basis of payment, grants are recognised as income at the date that the Council satisfies the conditions of the entitlement to the grant / contribution, ie, that there is reasonable assurance that the monies will be received and the expenditure for when the grant has been given has been incurred. Revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council, for example Revenue Support Grant, are recognised at the foot of the Income and Expenditure Account, after Net Operating Expenditure for the period in respect of which they are payable. Details are shown in Note 9.

Where Capital Grants and contributions are received that are identifiable to fixed assets with a finite useful life, once the asset is operational, the amounts are recognised in the Government Grants Deferred account. The balance is then written down to the relevant service area over the useful life of the asset to offset depreciation charges made for the related assets.

Grants and other contributions are accounted for on an accruals basis and are recognised in the accounting statements when the conditions for their receipt have been met and there is reasonable assurance that the grant or contribution will be received. Certain grants included in the accounts are subject to audit of the final claim.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that for most loans the amount presented in the Balance

Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in 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 Statement of the Movement on the General Fund Balance. The SoRP 2009 requires that the Balance Sheet now needs to separate financial liabilities into current and long-term liabilities and to separate individual financial liabilities into their current and non-current elements.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement.

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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. The SoRP 2009 requires that the Balance Sheet now needs to separate financial assets into current and long-term assets and to separate individual financial assets into their current and non-current elements.

When the Council makes a loan to a voluntary organisation at less than market rates these are called soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 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 Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the 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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

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

The Council does not currently have any available for sale assets.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases and these form the majority of the Council's lease arrangements. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council's leasing activities are detailed in Note 34.

Council acting as the Lessor

Where the Council acts as lessor, annual rentals are included as revenue income within the accounts of the relevant service and all appropriate disclosures are made within the accounts in full compliance with SSAP21 "Accounting for Leases and Hire Purchase Contracts" and FRS5 "Reporting the Substance of Transactions".

Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the Best Value Accounting Code of Practice 2009 (BVACOP). 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 any depreciation and impairment losses chargeable on non-operational properties.

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

The treatment of Office Accommodation does not strictly comply with BVACOP. The final choice on the basis of location of staff, based on availability, department size etc is taken at a corporate level, outside the direct influence of departments. It is Council policy, therefore, that the costs of the main office buildings be accumulated and charged to users at a uniform rate per square metre, regardless of actual location.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contract on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council. The liability of the PFI contract was reduced by an initial capital contribution of £9m.

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 Income and Expenditure Account
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Details are shown in Note 36.

Provision for Doubtful Debts

The Balance Sheet figure for Bad Debts is deducted from the total shown for Debtors. The amount of the provision is reviewed each year in the light of the debts which are outstanding, and an assessment is made of the likelihood of recovery based on the nature and age of the debt. Debts are not actually written off until all reasonable steps of recovery have failed and debt is deemed to be unrecoverable.

Reserves

The Council sets aside specific amounts as reserves for future purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions has been approved and further information is given in Note 42. Reserves include earmarked reserves set aside for specific policy purposes (e.g. school balances and insurance reserves), whilst the General Fund balance is held for cash flow purposes and as a contingency. Contributions to and from reserves are not shown in service areas, they are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Expenditure to be financed from reserves is charged to the appropriate service area in that year to score against the Net Cost of Service in the Income and Expenditure Account, and therefore still appears as part of the cost of the relevant service. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

Retirement Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's Service's revenue account 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 Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 based on the indicative rate of return on a high quality corporate bond as identified by the actuary.
- The assets of the Cambridgeshire 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 pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to the Net Cost of Services in the Income and Expenditure Account 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 – charged to Net Operating Expenditure in the Income and Expenditure Account
    - 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 – recognised in the Income and Expenditure Account in Net Operating Expenditure line.
    - gains / 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 – charged to the Net Cost of Services in the Income and Expenditure Account 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 – charged to the Statement of Total Recognised Gains and Losses
- contributions paid to the Cambridgeshire Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional charges for retirement benefits and replace them with actual cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Council 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.

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 fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Stock

Stock levels are reviewed during the course of the year and any obsolete items are written off. Stocks are included in the accounts at the lower of cost and net realisable value.

Work in progress is valued at the lower of cost or net realisable value and includes an allocation of overheads.

Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for a period of more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of the asset (eg. Repair and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings,– lower of net current replacement cost or net realisable value in existing use
- vehicles, plant and equipment - historic cost less depreciation. Plant and machinery associated with buildings is included in the valuation of the buildings. The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period (e.g. obsolescence, physical damage), the valuation is adjusted accordingly.
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

All fixed assets are shown net of depreciation, the basis of which is set out in Note 18.

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.

There is a deminimis capital limit of £10,000 (£2,000 for schools). Where an asset's net book value is less than the deminimis limit the value will be reduced to zero on the asset register.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified, as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are recognised in the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing mortgages (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 Usable 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 Statement of Movement on the General Fund Balance.

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

Depreciation

Depreciation is provided for on all fixed assets, except land and non-operational investment properties which are not depreciated, unless there is a lease held on the property of 20 years or less.

Depreciation is charged on a Straight Line Basis over the life of the asset, which is determined at the time of acquisition or revaluation.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are 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.

Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service areas, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service

- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The provision is calculated on a prudent basis and in accordance with the Council's Minimum Revenue Provision Policy. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2008/09 Net Expenditure £000		Notes	2009/10 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	Service Expenditure				
2,894	Central Services to the Public		4,079	(2,024)	2,055
283	Court Services		298	-	298
44,374	Cultural, Environmental, Regulatory & Planning Services		54,226	(15,137)	39,089
60,167	Children's & Education Services	2	273,530	(219,731)	53,799
14,701	Highways, Roads & Transport Services		20,859	(5,935)	14,924
2,659	Housing Services	4	82,494	(80,399)	2,095
38,836	Adult Social Care	3	48,805	(9,065)	39,740
1,516	Exceptional costs – Icelandic Banks		-	-	-
3,353	Corporate & Democratic Core	4, 5, 6	7,652	(4,339)	3,313
6,982	Non Distributed Costs		1,016	-	1,016
175,765	**Net Cost of Services**		**492,959**	**(336,630)**	**156,329**
	Other Operating Costs				
(3,462)	Loss / (Gain) on disposal of fixed assets		978	(497)	481
(1,278)	Gain on Right to Buy Receipts		-	(627)	(627)
287	Parish Council Precepts		310	-	310
515	Drainage & Flood Levies		539	-	539
10,633	Deficit / (Surplus) on Trading Undertakings	4, 7	15,254	(12,999)	2,255
9,096	Interest Payable & Similar Charges		9,014	-	9,014
5	Contribution of Housing Capital Receipts to Government Pool		7	-	7
(3,691)	Interest and Investment Income		-	(1,118)	(1,118)
3,969	Pension Interest & Expected Return on Assets	8	7,235	-	7,235
191,839	**Net Operating Expenditure**		**526,296**	**(351,871)**	**174,425**
	Sources of Finance				
(19,451)	General Government Grants	9			(24,544)
(62,796)	Distribution from national non-domestic rates				(60,455)
(58,027)	Demand on Collection Fund				(58,685)
51,565	**Total: Deficit / (Surplus) for the year**				**30,741**

Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Restated 2008/09 £000		Note	**2009/10 £000**
51,565	(Surplus) / Deficit on the Income & Expenditure Account for the year		30,741
(47,657)	Net contribution to / from the General Fund Balance for the year	13	(28,035)
3,908	(Increase) / Decrease in General Fund Balance for the year		2,706
(15,486)	General Fund Balance brought forward		(11,578)
(11,578)	General Fund Balance carried forward		**(8,872)**
5,578	Amount of General Fund Balance held by Governors under schemes to finance schools	14	5,114
6,000	Amount of General Fund Balance generally available for new expenditure		3,758
11,578			**8,872**

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Restated 2008/09 £000		Note	2009/10 £000
51,565	**Deficit on the Income & Expenditure Account for the year**		30,741
(22,580)	(Surplus) / Deficit arising from revaluation of fixed assets		(10,010)
25,423	Actuarial (gains) / losses on pension fund assets & liabilities	8	137,427
-	Writing out of assets		5,567
54,408	**Total recognised (gains) / losses for the year**		**163,725**

Balance Sheet

Restated 31 March 2009 £000	£000		Notes	31 March 2010 £000	£000
1,939	*1,939*	**Intangible Fixed Assets**	15	2,157	2,157
		Tangible Fixed Assets	16-23		
		Operational Assets			
305,166		Other Land and Buildings		301,690	
18,594		Vehicles, Plant and Equipment		15,909	
96,765		Infrastructure Assets		104,479	
2,836		Community Assets		5,351	
		Non-operational Assets			
55,819		Investment Properties		55,799	
10,398		Surplus Assets		8,242	
9,453	*499,031*	Assets under Construction		17,774	509,244
	500,970				511,401
		Other Long Term Assets			
7,205		Long-Term Investments	24	758	
1,655	*8,860*	Long-Term Debtors	24	1,631	2,389
	509,830				513,790
		Current Assets			
555		Stock	28	555	
35,235		Debtors	29	49,956	
41,290		Short Term Investments	24	12,904	
1,333	*78,413*	Cash and Bank	24	-	63,415
	588,243				577,205
		Current Liabilities			
(19,278)		Short Term Borrowing	24	(19,272)	
(76,158)		Creditors	30	(78,950)	
-	*(95,436)*	Cash & Bank	24	(16)	(98,238)
	492,807	**Total Assets Less Current Liabilities**			**478,967**
(117,006)		Long Term Borrowing	24	(117,006)	
(1,035)		Long Term Liability	31	(908)	
(52,150)		PFI Lease Liability	33	(50,432)	
(92,007)		Pension Fund Liability	8	(230,759)	
(87,994)		Grants and Contributions Deferred	35	(100,509)	
(2,217)	*(352,409)*	Provisions	36	(2,680)	(502,294)
	140,398	**Total Assets less Liabilities**			**(23,327)**
	87,628	Revaluation Reserve	37		95,267
	121,913	Capital Adjustment Account	38		86,613
	-	Usable Capital Receipts	39		-
	595	Deferred Capital Receipts	40		589
	(1,855)	Financial Instrument Adjustment Account	41		(1,380)
	11,358	Specific Reserves	42		16,826
	(92,007)	Pension Fund Reserve	8		(230,759)
	5,578	School Balances	14		5,114
	6,000	General Fund Balance			3,758
	1,188	Collection Fund Adjustment Account			645
	140,398	**Total Net Worth**			**(23,327)**

Cash Flow Statement

This accounting statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes in respect of the Council as a whole. It therefore excludes internal transfers between accounts for items such as recharges between departments. See Note 43 for details.

Restated 2008/09			2009/10	
£000	*£000*		**£000**	**£000**
	(21,314)	**Net Cash (inflow) / outflow from Revenue Activities**		**3,564**
		Returns on Investments and Servicing of Finance		
		Cash Outflows:		
6,143		Interest paid	6,136	
2,980		Interest on finance leases and PFI rental payments	2,889	
		Cash Inflows:		
(4,065)		Interest Received	(1,933)	
	5,058			7,092
		Capital Activities		
		Cash Outflows:		
40,405		Purchase of Fixed Assets	46,522	
16,748		Other Capital Cash Payments	13,330	
		Cash Inflows:		
(7,749)		Sale of Fixed Assets	(2,325)	
(948)		Other Capital Cash Receipts	(2,852)	
(1,018)		Proceeds from Long Term Investments matured in year	-	
(33,900)		Capital Grants Received	(44,209)	
	13,538			10,466
	(2,718)	**Net Cash (inflow) / outflow before Financing**		**21,122**
		Management of Liquid Resources		
(11,893)		Net (increase) / decrease in Short Term Deposits	(35,437)	
2,430		Amounts relating to Major Preceptors and NNDR	13,935	
		Financing		
		Cash Outflows:		
13,885		Repayment of Amounts Borrowed	-	
1,641		Capital Element of Finance Lease rental payments and PFI Payments	1,729	
		Cash Inflows:		
(8,757)		New Loans raised	-	
	(2,694)	**Net Cash (inflow) / outflow from financing activities**		**(19,773)**
	(5,412)	**Net (Increase) / Decrease in Cash**		**1,349**

Notes to the Core Financial Statements

1 Prior Period Adjustment

In the 2009/10 Statement of Accounts, the Council has been required to adopt three new accounting policies under the 2009 SoRP. All of the required adjustments are summarised in the following table;

1a) Change in accounting policy for Council Tax

- Council Tax income is now accrued in the Income and Expenditure Account rather than shown as a surplus in the Collection Fund reserve. In 2008/09 the Council's share of the Collection Fund surplus for the year was £1,178k and is now consolidated with the Council's Council Tax demand of £56,846k. In addition, the Statement of Movement on the General Fund Balance is restated accordingly by the addition of a reconciling item in respect of the transfer to the Collection Fund Adjustment Account.
- As the Council is the billing authority the 2008/09 Balance Sheet has been restated for part of the Council Tax debtor / creditor balances and provision for doubtful debts attributable to the major preceptors, the Cambridgeshire Fire and Police Authorities.
- The 2008/09 Cash Flow statement has also been restated to exclude payments made to preceptors in respect of the previous year's Collection Fund surplus, and the share of the net cash received from the paid Council Tax debt.

1b) Change in accounting policy for National Non-Domestic Rates (NNDR)

- Billing authorities collect NNDR under an agency arrangement for the Government. This means that NNDR income is not the income of the Council and therefore is not shown in the Income and Expenditure Account.
- Similarly debtor / creditor balances and provision for doubtful debts relating to NNDR are to be no longer recognised in the Council's balance sheet, and these have been adjusted in the 2008/09 balance sheet.
- Cash collected from NNDR taxpayers by a billing authority is collected for the Government and therefore the Council's Cash Flow statement has been adjusted to exclude cash relating to NNDR.

1c) Change in accounting policy for Private Finance Initiative (PFI)

- The Council's secondary school PFI contract commenced in July 2006. In prior year accounts this contract arrangement was treated as a revenue cost with payments impacting the Income and Expenditure account only. The Council is now required to recognise the value of the schools relating to the PFI arrangement as part of the fixed assets with an equivalent long term liability, both now shown on the Balance Sheet. This adjustment has had various impacts on all of the Core Statements as the inclusion of the PFI assets impacts on the Council's capital financing requirement.

1d) The 2009 SoRP also clarified the treatment of interest accruals on loans and / or investments, such that the long term and current elements of a financial instrument is separated out on the face of the balance sheet, ie for a loan with a life of 25 years, the interest which is due payment in 2010/11 is now shown in Short Term Borrowing as it is due within one year, with the remainder of that loan in Long Term Borrowing.

In 2008/09 these two elements were combined, and therefore the Balance Sheet and notes have been restated to reflect the clarification in policy.

Prior Period Adjustment	2008/09 Statement of Accounts	Prior Period Adj Interest Reclass.	Prior Period Adj Collection Fund	Prior Period Adj PFI	2008/09 Restated
	£000	£000	£000	£000	£000
Income and Expenditure Account					
Service Expenditure					
Childrens & Education Services	60,925	-	-	(758)	60,167
Other Operating Costs					
Loss/(Gain) on disposal of fixed assets	(2,158)	-	-	(1,304)	(3,462)
Interest Payable and Similar Charges	6,117	-	-	2,979	9.096
Sources of Finance					
Demand on Collection Fund	(56,846)	-	(1,181)	-	58,027
Total Deficit / (Surplus) for the year	51,829	-	(1,181)	917	51,565
Statement of Movement on General Fund Balance					
(Surplus) / Deficit on the Income and Expenditure Account for the year	51,829	-	(1,181)	917	51,565
Net contribution to/from the General Fund Balance for the year	(47,921)	-	1,181	(917)	(47,657)
Statement of Total Recognised Gains and Losses					
Deficit on the Income and Expenditure Account for the year	51,829	-	(1,181)	917	51,565
(Surplus) / Deficit arising from revaluation of fixed assets	(22,580)	-	-	-	(22,580)
Decrease / (Increase) in Collection Fund Balance	(1,181)	-	1,181	-	-
Total recognised (gains)/ losses for the year	53,491	-	-	917	54,408
Balance Sheet					
Tangible Fixed Assets					
Other Land and Buildings	219,571	-	-	85,595	305,166
Vehicles, Plant and Equipment	13,402	-	-	5,192	18,594
Other Long Term Assets					
Long Term Debtors	2,135	-	-	(480)	1,655
PFI Deferred Consideration	29,305	-	-	(29,305)	-
Current Assets					
Debtors	37,366	-	(2,131)	-	35,235
Current Liabilities					
Short Term Borrowing	(18,345)	(933)	-	-	(19,278)
Creditors	(78,289)	-	2,131	-	(76,158)
Long Term Borrowing	(117,939)	933	-	-	(117,006)
PFI Lease Liability	-	-	-	(52,150)	(52,150)
Total Assets Less Liabilities	131,546	-	-	8,852	140,398
Reserves					-
Revaluation Reserve	66,378	-	-	21,250	87,628
Capital Adjustment Account	134,311	-	-	(12,398)	121,913
Collection Fund Balance	1,188	-	(1,188)	-	-
Collection Fund Adjustment Account	-	-	1,188	-	1,188
Total Net Worth	131,546	-	-	8,852	140,398

Prior Period Adjustment	2008/09 Statement of Accounts	Prior Period Adj Interest Reclass.	Prior Period Adj Collection Fund	Prior Period Adj PFI	2008/09 Restated
Cash Flow					
Net Cash Flow from Revenue Activities	(14,276)	-	(2,430)	(4,608)	(21,314)
Returns on Investments and Servicing of Finance					
Interest on finance leases and PFI rental payments	1	-	-	2,979	2,980
Management of Liquid Resources					
Amounts relating to Major Preceptors & NNDR	-	-	2,430	-	2,430
Capital Element of Finance Lease rental and PFI payments	12	-	-	1,629	1,641

2 Dedicated Schools Grant (DSG)

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

On 29th January Peterborough City Council was advised by the Department for Education of an award of Exceptional Circumstances Grant (ECG) for £571k. The ECG was introduced to reflect changes in the circumstances of authorities which occur after the final DSG allocations have been announced each year.

Discussions are still taking place with the Schools forum to decide on how to allocate the ECG, it is anticipated this will be agreed by July 2010.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Budget	Individual Schools Budget (ISB)	2009/10
	£000	**£000**	**£000**
Final DSG for 2009/10	-	-	(112,941)
Brought forward from 2008/09	-	-	6
Carry forward to 2010/11 (agreed in advance)	-	-	667
Agreed Budgeted Distribution in 2009/10	**(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)**

3 Pooled Funds and Similar Arrangements

From 1 April 2004, the Council formed a partnership under Section 31 of the Health Act 1999 (superseded by Section 75 of the National Health Service Act 2006) whereby the Council has pooled its budget for Adult Social Care (ASC) with the North and South Peterborough Primary Care Trusts (now merged to form Peterborough Primary Care Trust (PPCT)).

The purpose of the Partnership is to provide a robust framework within which the PPCT is the lead commissioner and integrated provider of 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 the PPCT aims to deliver across a range of ASC performance indicators and key service developments that the PPCT will take forward that are either wholly, or partly, ASC.

The Council's contributions are shown within the Adult Social Care line in the Income and Expenditure Account on page 20. The memorandum account below shows total expenditure and income for the pooled fund. The PCT does not specifically identify elements of its budget relating to Adult Social Care, and hence the PCT contribution is effectively its full budget. As a result of this overspend of £13.3m shown relates to the full range of PCT activity, not adult social care. None of the overspend shown is charged to the Council.

Restated 2008/09 £000	**Gross Funding**	**2009/10 £000**
(185,445)	Peterborough PCT	(211,544)
(36,899)	Peterborough City Council Pool Contribution	(37,389)
(3,136)	Peterborough City Council - Grants	(4,102)
(2)	Income from other Organisations	(151)
(225,482)	**Total Gross Funding**	**(253,186)**
139,370	NHS Commissioning	174,061
68,438	Provision of Services	66,902
13,557	Corporate Services	23,834
1,470	Public Health	1,660
222,835	**Total Expenditure**	**266,457**
(2,647)	Actual Over / (Under) spending	13,271
-	Overspending met by PPCT non Pooled Slippage	(13,271)

4 Provision for Bad Debt and Doubtful Debts

The Trading Undertakings line in the Income and Expenditure Statement includes an increase to the general bad debt provision of £56k, Housing Services £250k and Corporate and Democratic Core £47k. (2008/09 Housing Services and Trading Undertakings included increases of £200k and £150k respectively).

5 Members' Allowances

Under the Local Authorities (Members' Allowances) (Amendment) Regulations 2003 the Council has to publish within its area the total sums paid to each member of the Council. The total value paid in 2009/10 was £706,689 (£627,814 in 2008/09).

6 Audit and Inspection Fees

The following fees were payable arising from the 2009/10 accounts. The inspection fees were payable to the Audit Commission and the audit fees payable to PricewaterhouseCoopers.

2008/09 £000		**2009/10 £000**
288	Fees payable with regard to external audit services carried out by the appointed auditor	256
25	Fees payable in respect of statutory inspection	18
70	Fees payable for the certification of grant claims and returns carried out by the appointed auditor *	50
-	Fees payable in respect of other services provided by the appointed auditor **	15
383	**Total**	**339**

* The 2008/09 figure stated for Fees payable in relation to the certification of grant claims and returns was estimated. The actual figure was £75,000.

** The other fees payable were in respect of a proposed Grant, the Purchase of Peterborough United Football ground and other investigative work.

7 Trading Operations

Financial results were:

2008/09 Deficit/ (Surplus) £000		**2009/10 Expenditure £000**	**Income £000**	**Deficit /(Surplus) £000**
	Properties:			
(1,268)	Industrial	790	(8,207)	(7,417)
(835)	Commercial	449	(1,581)	(1,132)
(98)	Market	417	(583)	(166)
(2,201)	**Total for Properties**	**1,656**	**(10,371)**	**(8,715)**
	City Services			
(41)	Building Cleaning	904	(1,046)	(142)
115	Building Maintenance	5,427	(5,569)	(142)
303	Catering	1,756	(1,760)	(4)
(219)	Grounds Maintenance	3,074	(3,318)	(244)
111	Refuse Collection	3,927	(3,930)	(3)
(326)	Street Cleaning	2,835	(3,340)	(505)
(24)	Vehicle Maintenance	1,023	(1,135)	(112)
3,060	Other	7,328	(4,415)	2,913
-	Inter Departmental Adjustment	(22,350)	22,350	-
2,979	**Total for City Services**	**3,924**	**(2,163)**	**1,761**
(137)	**Total for Other Traded Services**	**389**	**(465)**	**(76)**
641	**Sub Total**	**5,969**	**(12,999)**	**(7,030)**
9,992	Capital Charges Adjustment	9,285	-	9,285
10,633	**Total**	**15,254**	**(12,999)**	**2,255**

In addition to the Market, the Council owns 208 shops, commercial and industrial units throughout the City. Following the introduction of the Best Value regime the requirements to produce accounts under the previous Compulsory Competitive Tendering (CCT) were reviewed. The City Services department remains the trading arm of the Council and the contracts awarded were based upon competitive tender with the private sector and as such are included in the above table. The figures include a final adjustment for inter departmental work which is necessary to avoid double counting within the Income and Expenditure Account.

8 Retirement Benefits Local Government Pension Scheme

Participation in Pension Schemes

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The Council participates in two formal schemes, the Local Government Pension Scheme, a defined benefits scheme, and the Teachers' Scheme. The Council is not required to record information relating to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Teachers' Pension Agency.

Local Government Pension Scheme

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on General Fund Balance during the year:

2008/09 *£000*	**Income and Expenditure Account**	**2009/10** **£000**
	Net Cost of Services:	
9,379	Current Service Cost	7,557
2,779	Past Service Costs	21
1,342	Curtailment and Settlement	842
	Net Operating Expenditure:	
(15,138)	Expected Return on Employer Assets	(11,700)
19,107	Interest on Pension Scheme Liabilities	18,935
17,469	**Net Charge to the Income and Expenditure Account**	**15,655**
	Statement of Movement in the General Fund Balance	
(17,469)	Reversal of net charges made for retirement benefits in accordance with FRS17	**(15,655)**
	Actual Amount charged against the General Fund Balance for pensions in the year:	
13,594	Employers' contributions payable to scheme	**14,330**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £137.4m (loss of £25.4m 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £179,602k, which has built up from 1st April 2004.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2009 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2010 £000
210,145	Opening Value at 1st April	178,074
15,138	Expected Rate of Return on Assets	11,700
(57,572)	Actuarial Gains / (Losses)	48,443
(1,054)	Actuarial Loss relating to bid-price adjustment	-
13,594	Employer Contributions	14,330
4,807	Contributions by Scheme Participants	4,795
(6,984)	Benefits Paid	(7,475)
178,074	**Closing Fair Value of Scheme Assets at 31st March**	**249,867**

31 March 2009 £000	Reconciliation of Present Value of Scheme Liabilities	31 March 2010 £000
272,854	Opening Liability at 1st April	270,081
9,379	Current Service Cost	7,557
19,107	Interest Cost	18,935
4,807	Contributions by Scheme Participants	4,795
(33,203)	Actuarial (Gains) / Losses	185,870
1,342	Losses on Curtailments	842
2,779	Past Service Costs	21
(6,984)	Benefits Paid	(7,475)
270,081	**Closing Liability at 31st March**	**480,626**

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 £(60.1m), (2008/09 £40.9m).

Scheme History

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Fair Value of Assets in the Scheme	216,173	240,535	210,145	178,074	249,867
Present Value of Liabilities	(325,044)	(333,687)	(272,854)	(270,081)	(480,626)
Surplus/(Deficit) in scheme	(108,871)	(93,152)	(62,709)	(92,007)	**(230,759)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total Pension liability of £230.8m has an impact on the net worth of the Council as recorded in the Balance Sheet, page 23, resulting in a total liability balance of £600.5m.

However, statutory arrangements for funding the deficit mean that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, 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 2011 is £12.8m.

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, the independent actuaries to the Pension Fund.

The principal assumptions used by the actuary have been:

31 March 2009		**31 March 2010**
	Long-term expected rate of return on assets in the scheme	
7.0%	Equity Investments	7.8%
5.6%	Bonds	5.0%
4.9%	Property	5.8%
4.0%	Cash	4.8%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
19.6 years	Men	20.8 years
22.5 years	Women	24.1 years
	Longevity at 65 for Future Pensioners:	
20.7 years	Men	22.3 years
23.6 years	Women	25.7 years
	Financial Assumptions	
3.1%	Rate of inflation	3.8%
3.1%	Rate of increase in pensions	3.8%
4.6%	Rate of increase in salaries	5.3%
6.3%	Expected return on assets	7.1%
6.9%	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 2009		Long Term Return	**31 March 2010**
%		%	%
64	Equity investments	7.8	72
17	Bonds	5.0	15
10	Property	5.8	8
9	Cash	4.8	5
100	**Total**		**100**

History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2010:

	2005/06	*2006/07*	*2007/08*	*2008/09*	**2009/10**
	As Restated				
	%	%	%	%	%
Differences between expected and actual return on assets	14.08	0.94	(26.75)	(32.33)	19.39
Experience Gains and (Losses)*	(0.07)	0.14	12.98	0.16	(0.36)

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

Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teacher's Pensions. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £7.6m, representing 14.1% of Teachers' pensionable pay, in respect of teachers' pensions to the Teachers' Pension Agency who manage the Teachers' Pension Fund on a national basis, (£7.6m and 14.1% for 2008/09).

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for all pension payments relating to added years benefits it has awarded on a discretionary basis to former employees together with the related annual increases. In 2009/10 these amounted to £1.1m for teachers, representing 2% of teachers' pensionable pay.

9 General Government Grants

The Council receives a number of grants that contribute to the General Government Grants line in the Sources of Finance section in the Income and Expenditure Account. The following table shows the breakdown of grants and the associated values.

Revenue Support Grant is a general grant paid by the government and recognised in the General Fund to help finance local authority revenue expenditure.

Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated to specific policy criteria rather than general formulae. The Council is free to use all of this non-ringfenced funding as it sees fit to support the delivery of local, regional and national priorities in its area.

2008/09 *£000*		**2009/10** **£000**
8,742	Revenue Support Grant	13,954
785	Local Authority Business Growth Incentive Grant	203
424	Local Public Service Agreements	-
9,500	Area Based Grant	10,387
19,451	**Total General Government Grants**	**24,544**
62,796	Distribution from national non-domestic rates (NNDR)	60,455
82,247	**Total from Government**	**84,999**

10 Senior Employees' Remuneration

The number of employees whose remuneration, including lump sum retirement payments, was £50,000 or more in bands of £5,000 are shown in the table below. The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds.

Restated 2008/09 No. of Employees	**Remuneration Band**	**2009/10 No. of Employees**
107	£50,000 - £54,999	83
33	£55,000 - £59,999	49
21	£60,000 - £64,999	28
15	£65,000 - £69,999	18
11	£70,000 - £74,999	10
8	£75,000 - £79,999	8
6	£80,000 - £84,999	7
5	£85,000 - £89,999	-
5	£90,000 - £94,999	9
2	£95,000 - £99,999	-
-	£100,000 - £104,999	1
-	£105,000 - £109,999	-
-	£110,000 - £114,999	1
1	£115,000 - £119,999	-
1	£120,000 - £124,999	1
1	£125,000 - £129,999	1
-	£130,000 - £134,999	1
-	£135,000 - £139,999	1
-	£140,000 - £145,999	1
-	£145,000 - £149,999	1
-	£170,000 - £175,999	1
2	£170,000 - £179,999	-

The first table overleaf shows the Senior Officers whose salary is £150,000 or more and the second table on the following page shows those Senior Officers whose salary is between £50,000 and £149,999 per year and are in a senior position within the Council and who have responsibilities and powers to direct or control the major activities of the Council.

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	2009/10	170,175	-	-	-	-	2,000	**172,175**	19,875	**192,050**
	2008/09	*170,175*	-	-	-	-	*1,500*	*171,675*	*18,545*	*190,220*

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)
Executive Director Strategic Resources	2009/10	121,192	-	-	-	231	356	**121,779**	19,875	**141,654**
	2008/09	*121,192*	-	-	-	*427*	*1,157*	*122,776*	*18,545*	*141,321*
Executive Director Operations from 25 May 2009	2009/10	91,567	-	-	-	24	286	**91,877**	15,017	**106,894**
	2008/09	-	-	-	-	-	-	**-**	-	**-**
Executive Director Children Services from August 2008 [a)]	2009/10	138,308	-	-	-	-	-	**138,308**	22,683	**160,991**
	2008/09	*92,205*	-	-	-	-	-	*92,205*	*14,107*	*106,312*
Director Commercial Services	2009/10	91,463	-	1,170	-	1,354	-	**93,987**	15,000	**108,987**
	2008/09	*91,463*	-	*1,095*	-	*1,226*	*184*	*93,968*	*13,994*	*107,962*
Director of Adult Social Services [a)]	2009/10	110,235	-	-	-	223	-	**110,458**	18,079	**128,537**
	2008/09	*93,048*	-	-	-	-	-	*93,048*	*16,699*	*109,747*
Solicitor to the Council	2009/10	90,323	-	-	-	-	356	**90,679**	14,813	**105,492**
	2008/09	*91,300*	-	-	-	*23*	*105*	*91,428*	*13,969*	*105,397*

* 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

[a)] The lower salaries in the previous year are related to part year effect. There has not been an increase in salary between years.

11 Interest in Companies

Peterborough Urban Regeneration Company

The registered name of the company is Peterborough Urban Regeneration Company Limited, known as Opportunity Peterborough, and the Company has been set up in conjunction with the 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 2009/10) along with the funding for seconded staff and specific projects (£207,400 in 2009/10) are included within the Council's Net 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 2010 are £466,300 (31 March 2009 £466,900), and the Company made a net surplus of £500 in 2009/10 (2008/09, surplus of £260,200). 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.

12 Related Party Transactions

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). Details of cash transactions with Government Departments are set out in Note 23 to the Accounts.

Members of the Council have direct control over the Council's financial and operating policies. Members have been consulted over potential related parties and there are no material transactions which require disclosure.

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. One member was the Chairman of the Peterborough Primary Care Trust Board, but resigned after the Board Meeting on 9th June 2010, and one member has an interest in a Nursery which the Council funds.

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

13 Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance.

Restated 2008/09 £000		2009/10 £000	2009/10 £000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(943)	Amortisation of intangible fixed assets	(1,203)	
(47,426)	Depreciation and impairment of fixed assets	(38,894)	
21,502	Amortisation of Government Grants Deferred	15,143	
(17,139)	Revenue expenditure funded from Capital under Statute	(13,989)	
4,736	Net gain on sale of fixed asset	147	
6	Differences between amounts debited / credited to the Income & Expenditure Account and amounts payable / receivable relating to stepped loans	7	
(1,337)	Icelandic Investments Adjustment	468	
1,182	Surplus/(Deficit) generated from Collection Fund for the year	(543)	
(17,469)	Net charges for retirement benefits in accordance with FRS 17	(15,655)	(54,519)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
6,992	Minimum Revenue Provision for capital financing	7,465	
-	Capitalisation Direction	(772)	
429	Capital expenditure charged in year to the General Fund Balance	-	
(5)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(7)	
13,594	Employer's Contributions payable to the Cambridgeshire Pension Fund	14,330	21,016
	Transfers to / from the General Fund Balance		
(11,779)	Net transfer to or from earmarked reserves	5,468	5,468
(47,657)	**Net contribution to / from the General Fund Balance for the year**		**(28,035)**

14 Reserves and Balances held by Schools under Delegated Schemes

Under the School Financing and Framework Act 1998, the Council is required to ring-fence School Balances. Any budget surpluses and deficits are carried forward in their entirety. The table below summarises the balances carried forward for all schools.

No.	*2008/09 £000*	**All Schools Balances**	**No.**	**2009/10 £000**	**Change £000**
1	*132*	Nursery	1	99	(33)
57	*3,705*	Primary	57	3,975	270
10	*1,493*	Secondary	9	824	(669)
4	*248*	Special	4	216	(32)
72	*5,578*	**Total School Balances**	**71**	**5,114**	**(464)**

The numbers of Secondary Schools have decreased by one this year as Bushfield Community College transferred to Academy status.

Schools with deficit School Balances at the end of the financial year are required to agree an action plan to bring their School budget into balance. During 2009/10, the number of Schools with deficit balances increased from four to five as summarised below:

No.	2008/09 £000	Schools with Deficit Balances	No.	2009/10 £000	Change £000
-	-	Nursery	-	-	-
1	6	Primary	1	12	6
2	398	Secondary	3	478	80
1	9	Special	1	69	60
4	413	**Total**	**5**	**559**	**146**

The overall movement on balances can be further broken down into Schools who have contributed to their balances between 2008/09 and 2009/10 and those who have utilised their balances in year. These are summarised below:

School	Schools with an increased balance		Schools with a reduced balance	
	No.	**£000**	**No.**	**£000**
Nursery	0	0	1	(33)
Primary	33	927	24	(657)
Secondary	3	176	6	(808)
Special	2	71	2	(103)
Total	**38**	**1,174**	**33**	**(1,601)**

15 Intangible Fixed Assets

The table below details the movement in intangible assets.

2008/09 £000	Software	2009/10 £000
1,673	Balance at 1 April	1,939
805	Expenditure in Year	1,358
404	Previous Asset Under Construction Completed in Year	82
-	Disposal of Asset through the Income & Expenditure Account	(227)
-	Amortisation written back on disposal	227
-	Impairment of Asset	(19)
(943)	Amortisation in Year	(1,203)
1,939	**Balance as at 31 March**	**2,157**

16 Analysis of Tangible Fixed Assets

The following table analyses the Tangible Fixed Assets of the Council.

Restated		Operational Assets					Non-Operational Assets				
2008/09		**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Infra-structure Assets**	**Community Assets**	**Total**	**Investment Assets**	**Surplus Assets**	**Assets under Construction**	**Total**	**Total Assets 2009/10**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
457,945	Certified valuation at 31 March 2009	231,676	31,428	131,394	2,844	**397,342**	56,280	10,480	9,453	**76,213**	**473,555**
(65,973)	Accumulated Depreciation	(12,105)	(18,026)	(34,629)	(8)	**(64,768)**	(461)	(82)	-	**(543)**	**(65,311)**
61,632	PFI Adjustments	85,596	5,192	-	-	**90,788**	-	-	-	**0**	**90,788**
-	Adjustments	(4,908)	-	-	-	**(4,908)**	(344)	(1)	-	**(345)**	**(5,253)**
453,604		**300,259**	**18,594**	**96,765**	**2,836**	**418,454**	**55,475**	**10,397**	**9,453**	**75,325**	**493,779**
	Movement in 2009/10										
(404)	Completed Assets under Construction in Year	632	50	794	-	**1476**	4	26	(3,712)	**(3,682)**	**(2,206)**
52,592	Additions	8,563	3,893	13,457	416	**26,329**	9,457	8	12,033	**21,498**	**47,827**
(1,767)	Disposals	(4)	(4,704)	-	-	**(4,708)**	(651)	(349)	-	**(1,000)**	**(5,708)**
-	Depreciation Written Back on Disposals	13	4,704	-	-	**4,717**	-	12	-	**12**	**4,729**
-	Disposals Taken Straight to Capital Adjustment Account	(313)	-	-	-	**(313)**	-	-	-	**0**	**(313)**
-	Surplus Asset Transfers	886	-	-	2,808	**3,694**	(1,256)	(2,438)	-	**(3,694)**	**-**
45,772	Revaluation Adjustments not resulting from a cash consideration	14,235	142	-	3,284	**17,661**	2,951	890	-	**3,841**	**21,502**
4,632	Depreciation written back on Revaluation	4,210	-	-	-	**4,210**	137	22	-	**159**	**4,369**
(7,776)	Adjustments to Revaluation Reserve for Impairment and Depreciation	(10,769)	-	-	-	**(10,769)**	(2,253)	(174)	-	**(2,427)**	**(13,196)**
(19,724)	Depreciation in year	(8,106)	(6,616)	(6,537)	-	**(21,259)**	(195)	(34)	-	**(229)**	**(21,488)**
(27,897)	Impairment	(7,916)	(154)	-	(3,993)	**(12,063)**	(7,870)	(118)	-	**(7,988)**	**(20,051)**
499,032	**Net Book Value of assets at 31 March 2010**	**301,690**	**15,909**	**104,479**	**5,351**	**427,429**	**55,799**	**8,242**	**17,774**	**81,815**	**509,244**

17 Valuation Information

The Council has a rolling four year programme for the revaluation of fixed assets. The valuations in 2009/10 were carried out by Wilks Head & Eve and totalled £93,799,662. The basis for valuation is set out in the statement of accounting policies.

In additition to the rolling four year programme, Wilks Head & Eve were also commissioned to assess the whole of the Council's property portfolio to consider the impact of the current economic climate on the valuations held for the Council's properties. The report recommended a reduction in the value of £9,157,311 to the Council's property.

18 Depreciation Methodologies

Depreciation, as stated in the Accounting Policies, is calculated on a straight-line basis. Non-operational investment properties are not depreciated (SSAP 19 applies) except where there is a lease of 20 years or less held on the property. For those assets subject to revaluation, the useful economic life is based on the valuer's assessment. For the main categories of asset the standard useful lives, used for depreciation purposes, are as follows.

Category of Asset	Useful Economic Life
Land & Buildings	
Council Offices	35 years
Car Parks	35 / 999 years
Cemeteries	30 / 35 years
Crematorium	30 years
Community Centres	35 / 40 / 60 years
Public Conveniences	30 / 35 / 40 years
Libraries	30 / 35 years
Schools	30 / 35 / 40 / 60 / 999 years
Recycling facilities	35 years
Markets	35 years
Investment Assets	
Investment Assets	30 / 60 / 999 years
Vehicles, Plant & Equipment	
Computers	5 / 10 years
Equipment	5 / 10 / 15 years
Plant	5 / 10 years
Vehicles	5 years
Infrastructure Assets	
Roads and Bridges	20 / 40 years

19 Information on Assets Held

Major assets held were:

31 March 2009	Assets Held	31 March 2010
	Operational Assets	
	Land & Buildings	
2	Town Hall and Bridge House Offices	2
1	Bayard Place	1
1	Peterscourt	1
1	Central Depot	1
7	Sub Depots	7
38	Area / Sub Offices	38
1	Key Theatre	1
16	Car Parks	16
1	Crematorium	1
16	Public Conveniences	16
3	Swimming Pools	3
1	Priestgate Museum and Art Gallery	1
4	Materials Recycling Facility, Composting & Refuse Disposal facilities	4
1	CCTV Control Centre	1
9	Central Library and 8 Branch Libraries	9
49	Schools (excludes Foundation, VC & VA schools)	48
-	PFI Schools	3
4	Further Education Establishments	4
20	Smallholdings	20
17	Social Services Premises	17
41	Community Centres	41
1	St Barnabas Church	1
24	Play Centres	24
1	Peterborough Arts Centre	-
	Community Assets	
1,004	Acres of Landscaping	1,004
1,340	Acres of Parks (See note below)	1,396
130	Acres of Allotments	133
5	Community Grounds	5
5	Cemeteries	5
	Infrastructure Assets	
888	Kilometres of Roads	890
	Non-Operational Assets	
	Investment Properties – Commercial and Industrial	
1	General Market	1
1	Food Hall Market	1
-	Football Ground	1
206	Shops, commercial and industrial units	208
1	New England Complex	1
396	Acres of Land for Future Development	393

Note: Parks include the Nene Park covering approximately 1,063 acres, which was transferred on a 999-year lease to the Nene Park Trust in September 1988 with the Council holding the freehold. The Council nominates three members to the Trust's Management Board.

20 Foundation Schools, Voluntary Aided and Voluntary Controlled Schools

The School Standards and Framework Act 1998 changed the status of Grant maintained schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of balances for current assets and liabilities controlled by Foundation Schools in the Balance Sheet. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation schools and therefore values and amounts have not been consolidated in the Balance Sheet. In this Council area, there are 6 Foundation schools. There are 9 Voluntary Aided (VA) schools and 6 Voluntary Controlled (VC) schools which have the same financial status as Foundation schools and have been treated in the same way.

The accounting treatment for the PFI contract has resulted in the two Foundation schools, included within the agreement (Jack Hunt and the Voyager), fixed assets and long term liabilities to now be consolidated within the Council's Balance Sheet.

21 Financing of Capital Items

Restated 2008/09 £000		**2009/10 £000**
188,034	**Opening Capital Financing Requirement**	198,013
	Capital Investment	
805	Intangible Assets	1,358
33,531	Operational Assets	26,329
6,550	Non-Operational Assets	21,498
-	Deferred Consideration	-
16,967	Revenue Expenditure Funded from Capital under Statute	11,867
-	Capitalisation Direction	772
-	Loans to Third Parties	10
	Sources of Finance	
(6,548)	Capital Receipts	(1,151)
(33,905)	Capital Grants & Contributions	(33,223)
(7,421)	Sums set aside from revenue (inc.direct revenue financing and MRP)	(7,465)
198,013	**Closing Capital Financing Requirement**	**218,008**
	Explanation of movements in year	
	Increase in underlying need to borrow	
7,537	Supported borrowing	7,696
9,434	Unsupported / Prudential borrowing	19,764
	Decrease in underlying need to borrow:	
(6,992)	MRP	(7,465)
-	Capital receipts set aside to repay debt	-
9,979	**Increase in Capital Financing Requirement**	**19,995**

The Council has determined a deminimis level for capital expenditure at £10,000. Any item costing less than this amount can be charged to service areas.

22 Commitments under Capital Contracts

The Council has a three year Capital programme, of which £5.9m was contractually committed at 31 March 2010.

Description of Contract	Value of contract £000	Value outstanding at 31/3/10 £000
Roads and Bridges	511	511
Peterborough Museum	394	223
School Works	2,339	766
Waste 2020 Programme	135	100
Public Realm	2,749	693
Clare Lodge	3,186	91
Affordable Housing Grants	3,519	3,519
Total	**12,833**	**5,903**

23 Capital Grants Applied

The Table below shows grants and contributions used to finance capital expenditure.

2008/09 £000	**Grants Applied**	**2009/10 £000**
9,661	Department for Communities & Local Government	8,192
21	Department for the Environment, Food and Rural Affairs	378
14,151	Department for Education	13,529
3,922	Department for Transport	7,064
133	Department of Health	179
1,820	East of England Development Agency	497
-	Government Offices (East of England)	329
392	Various	910
30,100	**Total Grants Applied**	**31,078**
781	S106	817
378	Padholme Road Drainage	288
2,646	Third Party Contributions	1,040
3,805	**Total Contributions Applied**	**2,145**
33,905	**Total Grants & Contributions Applied**	**33,223**

24 Financial Instruments Balances

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

Restated 31 March2009 £000 Short Term	*£000 Long Term*		**31 March 2010 £000** Short Term	**£000** Long Term
		Borrowing		
-	*-*	Cash	(16)	**-**
(7,292)	*-*	Trade Creditors	(7,204)	**-**
-	*(53,185)*	Long Term Liabilities	-	(51,340)
(19,278)	*(117,006)*	Borrowing	(19,272)	(117,006)
(26,570)	*(170,191)*	**Total Borrowings**	**(26,492)**	**(168,346)**
		Loans and Receivables		
1,333	*-*	Cash	-	-
7,479	*-*	Trade Debtors	15,192	-
41,290	*7,205*	Investments and Debenture	12,904	758
-	*1,655*	Long Term Debtors	-	1,631
50,102	*8,860*	**Total Investments**	**28,096**	**2,389**

Short Term assets and liabilities are less than one year and Long Term assets and liabilities are longer than one year.

Investments are made through the Government Debt Management Office, the Council's bank and other Local Authorities. Short Term Investments are due to be repaid on various dates during the twelve months to 31 March 2011.

The bank balance is shown net of petty cash floats held at various locations and is calculated assuming all transactions are processed at the Balance Sheet date.

Short term borrowing comprises loans from banks that, although are long term in nature i.e. have maturity dates of up to 45 years, are capable of being called for repayment every six months. The amount shown comprises the principal of the loan, outstanding interest due and changes to the carrying value in compliance with the accounting policy for Financial Instruments.

The short term borrowing is analysed as follows:

	Restated Balance 31 March 2009	Loans Raised	Loans Repaid	Out-standing Interest	Balance 31 March 2010
	£000	£000	£000	£000	£000
Temporary Loans	-	(1,000)	1,000	-	-
Short Term Loans	(19,278)	-	-	6	(19,272)
Total	**(19,278)**	**(1,000)**	**1,000**	**6**	**(19,272)**

The long term borrowing is analysed as follows:

Restated 31 March 2009		Interest Rates	31 March 2010
£000		%	£000
	Source of Borrowing:		
(117,006)	Public Works Loan Board	3.70 to 7.88	(117,006)
	The loans listed above mature as follows:		
-	Between one and two years		(1,619)
(1,619)	Between two and five years		-
-	Between five and ten years		-
(115,387)	Over ten years		(115,387)
(117,006)	**Total**		**(117,006)**

The average interest rate for all loans was 4.52% (4.56% in 2008/09). The borrowing value for 2009/10 includes outstanding interest in accordance with the change in accounting policy.

The Long Term Debtors in the Balance Sheet are analysed as below:

	Restated Balance 31 March 2009	New Advances	Adjustment/ Transfers Properties Sold	Less Repaid by Borrowers	Balance 31 March 2010
	£000	£000	£000	£000	£000
Council House Mortgages	46	-	(1)	(6)	39
Private Sector Mortgages	9	-	-	-	9
Lease Premium	1,500	-	-	-	1,500
Loans	100	10	-	(27)	83
Total	**1,655**	**10**	**(1)**	**(33)**	**1,631**

25 Financial Instruments Gains and Losses

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

2008/09		2009/10
£000	**Financial Assets**	**£000**
3,691	Interest income	747
(1,516)	Impairment Adjustment	371
2,175	**Total for Financial Assets**	**1,118**
	Financial Liabilities	
(2,979)	Interest payable relating to PFI	(2,888)
(6,117)	Interest payable on borrowings	(6,126)
(6,921)	**Net gain / (loss) for the year**	**(7,896)**

Interest income includes £97k of interest relating to deposits with Icelandic Banks.

26 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 2010 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:

Restated 2008/09			2009/10	
Carrying amount	Fair Value		**Carrying amount**	**Fair Value**
£000	£000		**£000**	**£000**
(196,761)	(198,544)	Financial Liabilities	(194,838)	(193,974)

The Fair Value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date.

58,962	58,188	Loans and receivables	30,485	29,339

The Fair Value in 2009/10 is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date and the investments held with Icelandic Banks have been assessed as having a Fair Value of zero.

27 Disclosure of 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 Corporate 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 spread risk.
- 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 and its banking provider.

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. See Note 41 for more details.

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 2010	12,272
Historical Experience of Default %	-
Historical Experience Adjusted for Market Conditions as at 31 March 2010	-
Estimated Maximum Exposure to Default and Uncollectabilty Total	-
Estimated Maximum Exposure at 31 March 2010	-

Bank	**Date Invested**	**Amount Invested**	**Interest Rate**	**Carrying Amount**	**Impairment**	**Recoverable Amount**	**Principal Default**
		£000	%	**£000**	**£000**	**£000**	**%**
Heritable Bank	02/04/07	1,000	6.07	1,061	(264)	796	1.55
Kaupthing Singer & Friedlander Ltd	03/04/07	2,000	5.90	2,117	(881)	1,237	3.09
Total		**3,000**		**3,178**	**(1,145)**	**2,033**	

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 £15m debtors balance can be analysed by age as follows:

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

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board 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 outflows. Cash surpluses are typically deposited to dates when cash shortages are expected to occur.

The maturity analysis of financial liabilities is as follows:

Restated 2008/09 £000	**Maturity analysis of financial liabilities**	**2009/10 £000**
(27,392)	Less than one year	(28,263)
(1,808)	Between one and two years	(3,532)
(7,117)	Between two and five years	(5,809)
(160,444)	More than five years	(157,234)
(196,761)	**Total**	**(194,838)**

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 Income and Expenditure Account will rise
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

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 Treasury Management 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 fixed or variable.

According to this assessment strategy, at 31 March 2009, 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 £11.9m but this would have no impact on the Income and Expenditure Account or STRGL.

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.

28 Stock

31 March 2009		**31 March 2010**
£000	Stock	**£000**
204	City Services Stores	431
351	Other Stock Balances	124
555	**Total**	**555**

29 Debtors

Restated 31 March 2009 £000		31 March 2010 £000
9,259	Central Government Departments	17,167
611	Cambridgeshire County Council	572
182	National Heritage (Lottery)	46
4,685	Cross Keys Homes	2,936
344	Council House Tenants	25
4,896	Council Tax Arrears	6,166
1,922	Payments in Advance	1,876
17,551	General Debtors	25,675
39,450		54,463
	Outstanding Balances on Loans Granted	
14	Loans to Employees (Car Purchase)	37
39,464	**Total Debtors**	**54,500**
(4,229)	*Less* : Provision for Bad Debts	(4,544)
35,235	**Total**	**49,956**

30 Creditors

Restated 31 March 2009 £000		31 March 2010 £000
(1,511)	Central Government Departments	(415)
(5,594)	Peterborough Primary Care Trust	-
(753)	Council Tax Overpaid	(335)
(708)	NNDR Overpaid	(666)
(1,727)	Capital Schemes	(851)
(13,768)	Deposits / Receipts in Advance	(13,271)
(12,296)	Unapplied Capital Grants	(25,374)
(39,801)	General Creditors	(38,038)
(76,158)	**Total Creditors**	**(78,950)**

31 Undischarged Obligations arising from Long Term Contracts

The Council is committed to making payments estimated at £262m under the secondary schools PFI contract, signed on 31 July 2006, over the period of the contract. The contract expires in August 2037. The Council will also receive £144m in PFI grant from the Government over the same period towards these costs. See Note 33 for further information.

On 1st October 2009 the Council entered into a contract with Serco to supply ICT services to the Council. The total value of the contract is £22.7m over the next five years although the Council can extend the revenue provision of the ICT services for a further six years at the five year point.

32 Long Term Liability

Prior to 1 April 1990, the Council exclusively used finance leases to acquire vehicle, plant and equipment and, in earlier years, to construct the Market and Northminster multi-storey car park. Since that time some vehicles and equipment have been financed using operating leases and the Council has only utilised a finance lease facility for fitness equipment.

31 March 2009		**31 March 2010**
£000		**£000**
(25)	Finance Lease Liability	-
(50)	Security Equipment	(25)
(960)	Lease Premium	(883)
(1,035)	**Total**	**(908)**

33 Private Finance Initiative (PFI) Lease Liability

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.

Assets held under PFI

31 March 2009		**31 March 2010**
£000		**£000**
96,176	Value of Assets	-
(1,537)	Depreciation to date	-
94,639	Balance brought forward	90,788
-	Impairment	(470)
-	Additions	704
(3,851)	Depreciation for the year	(3,902)
90,788	**Net Book Value of Assets carried forward**	**87,120**

Value of Liabilities resulting from PFI

31 March 2009		**31 March 2010**
£000		**£000**
(52,569)	Finance Lease Liability	-
(1,210)	Lease liability redemption payments	-
(51,779)	Balance brought forward	(52,150)
1,629	Lease liability redemption in the year	1,718
(50,150)	**Value of Liability carried forward**	**(50,432)**

Details of payments due to be made under PFI

From year ended 31st March	**2010**	**2012**	**2017**	**2022**	**2027**	**2032**	**2037**
To year ended 31st March	**2011**	**2016**	**2021**	**2026**	**2031**	**2036**	**2041**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Repayment of finance lease liability	1,771	9,028	6,856	7,093	10,419	12,120	3,145
Repayment of interest	2,900	13,101	9,577	7,077	6,254	2,870	(522)
Repayment of service charges	2,989	17,289	25,055	29,661	29,805	34,486	11,818

34 Leasing Arrangements

Finance Leases

Vehicles, Plant & Equipment – the Council has acquired sports equipment for its Bushfield Leisure Centre under a finance lease. The rental payable under this arrangement in 2009/10 was £13.2k (2008/09 £13.2k), charged to the Income and Expenditure Account as £1k finance costs (debited to interest payable) and £12,2k relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Statement of Movement on the General Fund Balance)

2008/09 £000		**2009/10 £000**
38	Balance at 1 April	16
-	Revaluations	(15)
(16)	Depreciation	(1)
16	**Balance as at 31 March**	-

Outstanding obligations to make payments under this lease (excluding finance costs) at 31 March 2010, is as follows

	£000
Obligations payable in 2010/11	13
Total liability as at 31 March 2010	13

Operating Leases

Vehicles, Plant & Equipment – the Council uses vans, buses, tractors and mowers financed under terms of an operating lease. The amount paid under these arrangements in 2009/10 was £6.6m (2008/09 £6.4m)

Property – the authority leases the properties detailed below which have been accounted for as operating leases. The rentals payable in 2009/10 were £0.9m (2008/09 £1.5m)

Property Lease Categories	**Rentals Paid**	
	No.	**£000**
Car Parks	5	4
Waste Infill Sites	2	23
Industrial	22	174
Electricity Sub Station	1	156
Office	11	465
Retail	1	3
Youth, Day and Community Centres	10	21
Public Conveniences	1	3
Other	20	62
Total	**73**	**911**

All lease payments are charged to relevant service areas and are then adjusted to ensure the charges are spread evenly over the period of the lease.

Commitments under Operating Leases – the Council was committed at 31 March 2010 to making payments of £28.9m under operating leases in 2010/11, comprising of the following elements:

Commitments under Operating Leases	Property	Vehicle, Plant & Equipment
	£000	£000
Leases expiring in 2010/11	86	180
Leases expiring between 2011/12 and 2015/16	1,129	17,285
Leases expiring after 2016/17	10,257	-
Total	**11,472**	**17,465**

Council as Lessor

The Council has granted leases for various properties, shops, industrial units, other buildings and open areas, which it owns or leases, to third parties. These arrangements are accounted for as operating leases, as shown in the table below:

Property Lease Categories	Rentals Received No.	£000
Electricity Sub Stations and Telecommunications Mast	79	46
Ground Leases, Industrial, Retail, Residential and Office	42	1,186
Car Parks	10	287
Public Houses	4	16
Industrial	46	403
Retail	62	1,536
Sports Centres	9	517
Office	13	161
Other	77	90
Total	**342**	**4,242**

35 Grants and Contributions Deferred Account

Capital Grants and Contributions received to finance completed assets are allocated to the Grants and Contributions Deferred Account. These grants and contributions will be recognised in the Income and Expenditure Account over the life of the asset to which the grant relates to offset any provision for depreciation charged to the revenue account in respect of the asset.

31 March 2008		**31 March 2010**
£000		**£000**
(75,549)	Balance Brought Forward	(87,994)
(33,905)	Grants applied in year	(33,223)
5,488	Amortisation of Grants	6,064
16,014	Grants applied to Revenue Expenditure Funded from Capital under Statute	9,078
(4,277)	Grants applied in year to completed Assets Under Construction	(2,365)
4,235	Grants applied in year to Assets Under Construction	7,931
(87,994)	**Balance Carried Forward**	**(100,509)**

36 Provisions

	Balance Brought Forward 1 April 2009	Add Contribution to Provision	Less Payments from / Reductions to Provision	Balance Carried Forward 31 March 2010
	£000	£000	£000	
Social Care Repayment	(68)	-	-	(68)
Insurance Claims	(1,407)	(968)	692	(1,683)
Lenders Option Borrowing rates	(5)	-	5	-
Payroll	(737)	(470)	725	(482)
Charges from suppliers in dispute	-	(177)	-	(177)
Grant Penalty Payment	-	(240)	-	(240)
Childrens Services	-	(30)	-	(30)
Total	**(2,217)**	**(1,885)**	**1,422**	**(2,680)**

Class of Provision	Purpose
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.
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.
Payroll	Redundancy related payments, where the decisions were made during 2009/10 but actual payment not made until 2010/11
Charges from Suppliers in Dispute	These represent two charges from suppliers that are currently in dispute. The amount and timing of these payments are uncertain.
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 amount and timings of the possible payment is uncertain.
Childrens Services	Depending on the results of an investigation the Council may incur an associated cost.

37 Revaluation Reserve

Restated 31 Mar 2009		**31 Mar 2010**
£000		**£000**
44,981	Balance Brought Forward.	87,628
21,836	Adjustments For PFI	-
-	Brought Forward Adjustments	(1,752)
66,817	Adjusted Brought Forward Balance	85,876
29,723	Revaluations Upwards	22,445
(7,198)	Release of revaluation gains on impairment	(11,454)
(19)	Release of revaluation gains on disposal	(173)
(1,695)	Difference between historic cost and current value depreciation	(1,427)
87,628	**Balance Carried Forward**	**95,267**

38 Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

2008/09 £000		2009/10 £000
164,050	Balance Brought Forward	-
(11,870)	Prior Year Adjustments for PFI	-
152,180	Adjusted Balance Brought Forward	121,913
6,991	Minimum Revenue Provision (MRP)	7,465
(19,192)	Depreciation	(21,488)
(27,843)	Impairment	(20,074)
-	Revaluation Gains Reversing Previous Impairment Losses	2,669
(943)	Amortisation of intangible assets	(1,203)
1,163	Depreciation & impairment write down to Revaluation Reserve	1,427
(1,767)	Disposal of fixed assets	(978)
19	Transfer of revaluation gains on disposal	173
(17,139)	Revenue Expenditure Funded from Capital under Statute	(13,989)
	Capital Financing:	
6,548	Capital receipts transferred from Useable Capital receipts	1,151
429	Use of revenue	-
16,014	Use of capital grants	9,078
5,488	Write down of government grants deferred	6,064
-	Capitalisation Direction	(772)
(35)	Repayment of loan	(27)
-	Write down of Rented Premises	(5,567)
-	Write Down Rented Premises – Revaluation Reserve	771
121,913	**Balance Carried Forward**	**86,613**

39 Usable Capital Receipts

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

2008/09 £000		2009/10 £000
10	Balance Brought Forward	-
6,543	Receipts in year	1,157
6,553		1,157
	Less	
(5)	Amounts paid to Government under "pooling" arrangements	(7)
(6,548)	Applied to finance capital expenditure in year	(1,151)
-	**Total**	**-**

40 Deferred Capital Receipts

These deferred capital receipts relate to mortgages and lease premiums that are not due at 31 March 2010, but will be received by the Council in future years.

31 March 2009 £000		31 March 2010 £000
595	Deferred capital receipts	589

41 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account was introduced in 2007/08 and reflects the differences in statutory requirements and proper accounting practices for borrowings and investments.

31 March 2009 £000		31 March 2010 £000
(524)	Balance carried forward	(1,855)
-	Adjustment to carrying value of Market Bonds on 1 April 2008	-
(1,337)	Adjustments in relation to Icelandic Banks	468
6	Interest paid on Short Term Loans during the year	7
(1,855)	**Balance Carried Forward**	**(1,380)**

Regulations issued in February 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account. This is an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account (FIAA).

This impairment has been revised in 2009/10 to reflect the improved recovery rates now expected, which is 79p to 85p in the £ for Heritable Bank (70p to 80p, 2008/09), and 65p to 78p in the £ for Kaupthing Singer & Friedlander, (minimum of 50p in 2008/09).

31 March 2009 £000	**Adjustments in Relation to Icelandic Banks Impairment**	31 March 2010 £000
265	Heritable Bank	101
1,072	Kaupthing Singer & Friedlander Ltd	367
1,337	**Total Amount Transferred**	**468**

Under the regulations, the Council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Financial Instruments Adjustment Account	**Balance at 31/03/10**	**Transfers during 2010/11**	**Balance at 31/03/11**
	£000	**£000**	**£000**
Heritable Bank	164	(164)	-
Kaupthing Singer & Friedlander Ltd	705	(705)	-
Total	**869**	**(869)**	**-**

The Financial Instruments Adjustment Account recognises the cost to the Council of the failure of the Icelandic Banks as at the 31st March 2010. However, the Icelandic Bank reserve, see Note 42, represents the potential cost following receipt of the April 2010 dividend. It should be noted that the final cost could be lower still depending on further work by the administrators.

42 Reserves

Reserve	Restated Balance 1 April 2009 £000	Net Movement in year £000	Balance 31 March 2010 £000	Purpose of Reserve	Ref. Note
Revaluation Reserve	87,628	7,639	95,267	Store of gains on revaluation of fixed assets not yet realised through sales.	37
Capital Adjustment Account	121,913	(35,300)	86,613	Store of capital resources set aside to meet past expenditure	38
Usable Capital Receipts	-	-	-	Proceeds of fixed assets sales available to meet future capital investment	39
Deferred Capital Receipts	595	(6)	589	Outstanding balance due for mortgages and lease premiums	40
Financial Instruments Adjustment Account	(1,855)	475	(1,380)	Balancing account to allow for differences in statutory requirements and proper accounting requirements for borrowings and investments.	41
Specific Reserves	11,358	5,468	16,826	See following Tables	
Pensions Reserve	(92,007)	(138,752)	(230,759)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	8
School Balances	5,578	(464)	5,114	Statutory balances for each school available for the school in future years.	14
General Fund	6,000	(2,242)	3,758	Resources available to meet future running costs	
Collection Fund Adjustment Account	1,188	(543)	645	The Council's share of the surplus on the Collection Fund. See Collection Fund Statement, page 63	
Total Reserves	**140,398**	**(163,725)**	**(23,327)**		

The Table below details the movements on specific reserves. The Council has factored the use of reserves into its Medium Term Financial Strategy and the majority is committed for future use.

Reserves	Balance at 1 April 2009 £000	Contribution to Reserves £000	Contribution from Reserves £000	Movement between Reserves £000	Balance At 31 March 2010 £000
Meeting Corporate Priorities	3,751	1,868	(2,141)	(12)	3,466
Commercial Property Portfolio	-	6,000	-	-	6,000
Local Government Reorganisation	38	-	(38)	-	0
Insurance	4,541	687	(1,765)	(1,055)	2,408
Schools Capital Expenditure	2,080	643	(1,416)	-	1,307
Grant Certification	-	-	-	250	250
Icelandic Bank Investment	-	838	-	-	838
Available for Capacity Building	948	1,652	(860)	817	2,557
Total Reserves	**11,358**	**11,688**	**(6,220)**	**-**	**16,826**

Reserves	Purpose
Meeting Corporate Priorities	Sums specifically set aside for meeting Corporate Priorities. These will have been identified by the Cabinet or the Corporate Management Team and are incorporated within the Medium Term Financial Strategy.
Commercial Property Portfolio	A sum set aside 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.
Local Government Reorganisation	A sum set aside to meet future repayments due in respect of Local Government Reorganisation.
Insurance	Sums set aside to provide for future claims (self insurance). A number of risks, contingencies and financial losses are held covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £25,000 per loss, are also met by the Reserve.
Schools Capital Expenditure	School revenue reserves put aside for funding future school capital schemes.
Grant Certification	Sums set aside for possible repayment of grant allocations which are subject to audit certification.
Icelandic Bank Investment	This reserve will be used to meet the cost associated with the Icelandic Banks and the resultant impairment to the sums invested.
Available for Capacity Building	Consists of 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.

43 Notes Relating to the Cash Flow Statement

Reconciliation of Surplus on the Income and Expenditure Account to the Revenue Activities Net Cash Flow

Restated 2008/09 £000		2009/10 £000
51,565	Deficit for the year	30,741
	Add non-cash transactions	
(943)	Amortisation	(1,203)
(47,426)	Depreciation and impairment of fixed assets	(39,035)
21,502	Amortisation of Government Grants Deferred	15,143
(17,138)	Revenue Expenditure Funded from Capital under Statute	(13,848)
4,736	Net gain / (loss) on sale of fixed asset and Right to Buy receipts	146
(3,875)	Net charges for retirement benefits	(1,325)
(560)	Provisions set aside in year and payments from provisions	(463)
(1,337)	Icelandic Investments Impairment	468
1,182	Surplus/deficit generated from Collection Fund for the year	(543)
6	Financial Instruments Account	7
	Add back items relating to Collection Fund	
1,919	Capital expenditure recharges	2,091
	Less items on an accruals basis	
(26)	Increase / (decrease) in stocks	-
(10,858)	Increase / (decrease) in debtors	18,621
(12,610)	Add increase in creditors	13,123
	Items classified in another classification in the cash flow	
4,065	Interest and Investment Income	1,933
(9,123)	Interest Paid	(9,025)
(2,430)	Amounts relating to major preceptors and NNDR	(13,935)
37	Add Balance Sheet items and other adjustments	668
(21,314)	**Net cash inflow / (outflow) from revenue activities**	**3,564**

Reconciliation of the Net Cash Flow to the Movement in Net Debt

Restated 2008/09 £000		2009/10 £000
(137,597)	Net debt at 1 April	(139,641)
5,412	Decrease / (increase) in cash in the period	(1,349)
6,770	Cash (inflow) / outflow from increase / decrease in debt financing	1,729
(12,911)	Cash (inflow) / outflow from increase in liquid resources	(35,437)
(1,314)	Accrual of interest	726
(139,640)	**Net debt at 31 March**	**(173,972)**

Analysis of Net Debt

Analysis of Net Debt	**Balance 1 April 2009**	**Movement between categories**	**Accruals of interest**	**Cash Flow**	**Balance 31 March 2010**
	£000	**£000**	**£000**	**£000**	**£000**
Cash in hand	1,333	-	-	(1,349)	(16)
Debt due after one year	(170,191)	-	116	1,729	(168,346)
Debt due within a year	(19,278)	-	6	-	(19,272)
Short term investments	41,290	6,242	809	(35,437)	12,904
Long term investments	7,205	(6,242)	(205)	-	758
Total	**(139,641)**	**-**	**726**	**(35,057)**	**(173,972)**

Reconciliation of items shown in Financing and Management of Liquid Resources to the related items in the Balance Sheet

Reconciliation of Financing and Management of Liquid Resources to the related items in the Balance Sheet	2009/10 £000
Net transfers to short term investments	(35,437)
Net transfers to long term investments	-
Repayment of amounts borrowed	-
Capital Elements of Finance Lease	12
Capital Element of PFI Liability	1,717
Reduction of Cash in Hand	(1,349)
New Long Term Loans	-
Accruals of interest	726
Total Movement in Net Debt on Balance Sheet	**(34,331)**

Balance Sheet Items	**Balance 1 April 2009 £000**	**Balance 31 March 2010 £000**	**Movement in the year £000**
Long Term Loans	(117,006)	(117,006)	-
Short Term Investments	41,290	12,904	(28,386)
Long Term Investments	7,205	758	(6,447)
Long Term Liability	(53,185)	(51,340)	1,845
Long Term Loans Repayable in 1 year	(19,278)	(19,272)	6
Cash and Bank	1,333	(16)	(1,349)
Total	**(139,641)**	**(173,972)**	**(34,331)**

Movement in Cash and Cash Equivalents (Liquid Resources)

Movement in Cash and Cash Equivalents	**Balance 1 April 2009 £000**	**Balance 31 March 2010 £000**	**Movement in the year £000**
Short Term Borrowing	(19,278)	(19,272)	6
Bank Balance	1,333	(16)	(1,349)
Short Term Investments	41,290	12,904	(28,386)
Increase / (Decrease) in cash and cash equivalents	**23,345**	**(6,384)**	**(29,729)**

The Council's Liquid Resources comprise money at the bank and investments on the money market less borrowing of less than 12 months.

Other Government Grants

An analysis on a cash basis of Revenue Grants received from the Government is shown below.

2008/09 £000		**2009/10 £000**
(347)	Urban II Grant	(912)
(4,930)	Supporting People	(5,021)
(13,155)	Learning Skills Council Funding	(13,384)
(109,074)	Dedicated Schools Grant	(112,941)
(26,674)	Other Education Grants	(20,642)
(4,731)	Private Finance Initiative	(4,731)
(9,799)	Surestart Grant	(7,349)
(751)	Adult Social Care Grants	(1,318)
(2,846)	Local Authority Business Growth Incentive	(203)
(9,500)	Area Based Grant	(10,387)
(8,742)	Revenue Support Grant	(13,954)
(61,144)	Housing Benefit Grants	(74,527)
(6,774)	Other	(8,797)
(258,467)	**Total Government Grants**	**(274,166)**

44 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 2010 was £105,008 (£96,243 at 31 March 2009). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £60,400 (£13,285 at 31 March 2009) 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 Income and Expenditure Account.

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.

45 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 NJC (National Joint Council) 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 1st March 2008, backdated to the 1st 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.

46 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.

47 Authorisation of the Accounts

The Executive Director of Strategic Resources authorises these accounts to be issued on 28 June 2010.

The Collection Fund and Notes

The Collection Fund is a statutory account set up under the Local Government and Finance Act 1988. It shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates and shows how these have been distributed to preceptors and to the General Fund.

2008/09 £000	2008/09 £000	Collection Fund	Notes	2009/10 £000	2009/10 £000
		Income			
(58,658)		Council Tax (net)	1	(59,825)	
(10,153)		Transfer from General Fund - Council Tax		(11,548)	
(82,417)		Business Ratepayers (NNDR)	2	(82,640)	
	(151,228)	**Total Income**			**(154,013)**
		Expenditure			
2,953		Cambridgeshire Fire Authority Precept	3	9,031	
8,507		Cambridgeshire Police Authority Precept		3,090	
56,846		Demand by Peterborough City Council		58,928	
	68,306	**Total Precepts**			71,049
82,003		Payment to NNDR National Pool		81,108	
274		NNDR cost of collection allowance		278	
	82,277	**Total Business Rates**			81,386
(776)		Change in provision	4	1,870	
	(776)	**Total Bad and Doubtful Debts**			1,870
		Contribution to previous year's estimated surplus:			
-		Cambridgeshire Fire Authority		45	
-		Cambridgeshire Police Authority		16	
-		Peterborough City Council		300	
	-	**Total surplus**			361
	149,807	**Total Expenditure**			**154,666**
	(1,421)	**Deficit / (surplus) for the year**			**653**

2008/09	**Preceptor**	**Precept / Demand**	**Share of 31 March 2010 Deficit**	**2009/10 Total**
£000		**£000**	**£000**	**£000**
58,027	Peterborough City Council	59,228	(543)	58,685
8,687	Cambridgeshire Police Authority	9,076	(82)	8,994
3,015	Cambridgeshire Fire Authority	3,105	(28)	3,077
69,729		71,409	(653)	70,756

1 Calculation of Council Tax Base

Council Tax Band	A	B	C	D	E	F	G	H	TOTAL
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
No. of Dwellings	32,954	17,456	11,863	6,434	3,900	1,692	825	62	75,186
Band D Equivalent	21,969	13,577	10,545	6,434	4,767	2,444	1,375	124	61,235

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 Local Authority. The tax base used for Council Tax setting purposes after taking account of these factors was 54,835 (54,231 in 2008/09).

2 National Non-Domestic Rates

As at 31 March 2009 the total national non-domestic rateable value against the 2005 list was £199,873,792 (£197,679,192 at 31 March 2009) linked to 5,225 properties with the national multiplier set at 41.4p.

A revaluation of all properties is undertaken every five years. The total national non-domestic rateable value for the 2010 list from 1st April 2010 was £229,870,746 with a national multiplier of 41.4p against the same number of properties.

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.

4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.4m as at 31 March 2010 against arrears of £6.2m. At 31 March 2009, the provision stood at £2.0m against arrears of £5.7m.

Annual Governance Statement

Scope of Responsibility

Peterborough Authority ("the Authority") 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 Authority 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 Authority 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 Authority 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 (Amendment) (England) Regulations 2006, which requires the Authority 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 Authority is directed and controlled and its activities through which it engages with, leads and is accountable to, 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 Authority'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 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 Authority approved and adopted a Local Code of Corporate Governance, which provided in-depth details of the framework the Authority 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 Authority's Governance Framework which has been in place for the year ended 31st March 2010 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 Authority, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the Authority achieves this:

- The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.
- The Sustainable Community Strategy (SCS) for Peterborough was agreed by the Greater Peterborough Partnership in 2005 and fully refreshed to set out the 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 Authority, the Sustainable Community Strategy 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 Sustainable Community Strategy 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 and consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made cascade through the organisation to inform and amend departmental delivery contracts, service plans and business plans.
- The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we plan to focus 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 reported to Cabinet on a quarterly basis and is monitored through various Scrutiny Committees. Performance information is available across the council and partnership through the council's corporate performance management system, Performance Plus, which is used to report against National Indicators to senior management.
- 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 Plan aims. The MTFP allows annual strategic review in the context of performance against Corporate Plan 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. Issues are referred to other Scrutiny Committees as appropriate. The Council has established "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives.

- 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 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. Rated "3" under the Comprehensive Area Assessment, the Authority performance has improved over recent years.
- 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. During the year the council entered into an ICT Managed Service contract with Serco. Other councils are visiting Peterborough to learn about some of the best practice generated within the "Manor Drive Initiative" on back office service provision.
- 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. The 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 periodically.
- 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 Sustainable Community Strategy 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 7 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 3 other members to act as Cabinet Advisors on strategic portfolio activities. The governance of Cabinet business is covered 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.

- 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 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.

- 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 Council's 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 Authority. 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 single status agreement implemented in 2008. 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.

- 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 procedure 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 throughout the organisation on an individual departmental basis. A full Council accreditation is planned for September 2010.

- 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.
- Customer Service excellence award has been retained by Strategic Resources and is due for reaccreditation in July 2010 within Planning Services.
- Strategic Resources achieved a number of successes 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. Finally, it has been nominated through MJ for Waste 2010.

- 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.
- 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.
- In 2009 / 2010, the Council identified savings totally £6.2m in order to deliver a balanced budget that provided for investment in key customer outcomes and a target for 2010 / 2011 of £6.4m.

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. During 2009 / 2010, 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 Council's 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. The Chair and Vice Chair of Standards Committee and the Deputy Monitoring Officers attend the annual Standards Conference.
- 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. The Council has a comprehensive 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.

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.
- Consultations are not generic but are undertaken so that they deal 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 Councils to cover the city and its surrounds. Neighbourhood Councils 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.
- The Corporate Plan, published annually in March / April, gives 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 in the forward looking section. The backward looking section of the plan, published on 30 June annually, outlines information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.
- 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 PCT. The partnership is governed by an Annual Agreement that details performance and financial matters. The PCT 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.
  - Building Schools for the Future programme - a national programme, bringing together investment in new school buildings, leading edge ICT, and significant educational reform.
  - Peterborough Culture and Leisure Trust - partnership set up to secure new and improved facilities. Following agreement in Spring 2010, this is due to commence 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. It is also working alongside other partner organisations such as Greater Peterborough Partnership to deliver the city's community strategy and meet Peterborough's objective of becoming the nation's 'environment capital'.

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.

- 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.
- The Corporate Fraud section 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 March 2010 for the financial year 2008 / 2009, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 8 February 2010. The main conclusions from the Letter are:
    - An unqualified audit opinion on the financial statements;
    - Deadlines for the production and publishing of final accounts by 30 September 2009 were met;
    - An overall underspend of £141,000 was achieved and transferred to reserves;

- An assessment of the Council as "performing well" in terms of Managing Finances and Governing the Business; "performing adequately" for Managing Resources and Managing Performance. The overall Organisational Assessment for the Council is "performing adequately";
- Significant challenges for future years include the impact of the global economic downturn on future grant settlements; the Peterborough Delivery Partnership; improving performance and the adoption of International Financial Reporting Standards.

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 2009/10 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. Additionally, there are a number of issues which were highlighted in last years Annual Governance Statement which have not progressed sufficiently to be fully excluded from this years statement. 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 2008 / 2009 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:

- Credit Crunch - lower income; increase in service requirements; impact on capital disposal.
  - In response to the ongoing economic conditions, considerable work has been targeted at the impact the recession has had on the citizens of Peterborough, individual businesses and the Council as a whole.
  - Regular monitoring is in place on the Council Tax / NNDR debt levels together with the number of benefit claimants.
  - A number of factors were built into the Medium Term Financial Strategy in order to deliver a balanced budget while maintaining services.
  - The capital programme has been reappraised and capital disposals have been optimised.

- Collapse of Icelandic Banks and loss of investment
  - Following the Icelandic banking crisis, the Council fully scrutinised its position. The Treasury Management Policy was updated and member reporting has been enhanced.
  - A number of payments have been received during the year and have been reported. Further improvements will be made in 2010 with Treasury Management being included in the work programme of the Audit Committee.
- Single status agreement
  - Independent reviews have established that an equitable scheme has been adopted and ongoing appeals have been instigated, heard and changes made where appropriate.
- Effective governance
  - Regular reviews are in place of the internal structures and the democratic decision making processes. The creation of the Strategic Governance Board has provided a focal point to channel change and evaluate the effectiveness of the governance framework in place.
- External Audit / Internal Audit recommendations
  - Challenge and scrutiny is in place via the Audit Committee and officers have on occasion been called to account where service / performance levels have dropped below expected standards and / or recommendations have not been implemented. This deterrent has increased the profile and standing of both Internal and External Audit works within the Council.
- Audit Letter March 2009 - service performance improvement in Revenues and Benefits
  - Monthly performance reports are produced and monitored to cover service delivery and collection rates. A series of changes have been made to integrate the service within the Shared Transactional Services division within the Manor Drive Initiative.
- Risk Management
  - Risk management has been integrated within the Resilience and CCTV Team, to provide a more coordinated delivery. This has been further enhanced by combining the risk management and business continuity strategies. Risks are embedded into project management processes and the financial planning environment.

Ongoing Governance Issues Identified in 2008/09

Issue	Area for Improvement	Progress	Lead Officer
Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Monthly reports to Corporate and Departmental Management Teams. Ongoing use of Occupational Health to coordinate return to works etc. for officers who have been off for longer periods of time. While there are robust systems in place for managers to follow to monitor, act on and report absences, Internal Audit will undertake a full review of absence management arrangements as part of 2010/11 audit plans.	Head of Human Resources
Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Quarterly reports are produced and circulated to all departments. Recent changes have been made to various legislation which impacts on recruitment, for example, UK Border Agency Regulations and the Asylum & Immigration Act. Internal Audit will undertake a compliance review to ensure robust processes have been implemented.	Head of Human Resources
Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	ICT Managed Service was established October 2009 with Serco. The Manor Drive Initiative established and being developed further together with investigating DEECATS. There are ongoing developments of partnership arrangements for the Leisure Trust which will be created in May 2010. Effective governance arrangements will be regularly monitored.	Executive Director (Resources)

New Governance Issues 2009/10

Issue	Source	Area for Improvement	Lead Officer
Grant Claims	Annual Audit Letter: January 2010	The council should review the reasons for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.	Head of Corporate Services
Neighbourhood Councils	Annual Audit Letter: January 2010	Further engagement with local communities is required with regard to determining strategic priorities and financial planning	Head of Neighbourhood Services
Data Quality	Annual Audit Letter: January 2010	The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses	Head of Strategic Improvement and Partnerships
Managing Resources	Annual Audit Letter: January 2010	The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year	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 Authority to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:	Signed:
Gillian Beasley, Chief Executive	Councillor Marco Cereste, Leader of the Council
Date:	Date:

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.

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

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

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

Balances – The non-earmarked reserves of a local authority, 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 authority 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 local authority'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 fixed 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 local authority in providing its services beyond the year of account.

Capital Financing Account – This account existed prior to 2007/08 to hold the difference between amounts provided for depreciation of fixed assets and that required to be charged to revenue to repay the principal element of external loans. The balance on this account as at 31 March 2007 was combined with balance on the Fixed Asset Restatement Account (FARA) to form the new Capital Adjustment Account.

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

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

Community Assets - Assets that the local authority 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.

Council – means 'Peterborough City Council' specifically. The Council is a local authority 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 authority for work done, goods received or services rendered to the authority 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 authority 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.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed 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 Income and Expenditure Account. This can be used to supplement a local authority'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 Income and Expenditure Account of a local authority 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 a fixed 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.

Fixed Asset - An asset which has value beyond one financial year

FRS 17 - This is a Financial Reporting Standard (FRS) 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.

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

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 - Fixed 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.

Income and Expenditure Account - 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.

Investment Properties - Interest in land and/or buildings in respect of which construction work and development have been completed, and which are held for their investment potential or to generate income.

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

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

Minimum Revenue Provision - This is the minimum amount which must be charged to a local authority's Income and Expenditure Account 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.

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.

Non-Operational Assets - Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements, pending sale or redevelopment.

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

Operational Assets **-** Fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PFI Deferred Consideration Account – this account contains capital expenditure incurred as part of the PFI contract as a prepayment. These amounts are charged to the Income and Expenditure Account over the life of the contract.

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 authority, 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 authority 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 authority revenue expenditure.

Statement of Movement on the General Fund Balance – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on council tax, giving a final General Fund balance as at the end of the financial year.

Statement on Recognised Gains and Losses – brings together all the gains and losses of the Council.

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

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 Income and Expenditure account.

Your Statement of Accounts

Now that you have read the Statement of Accounts we would like to know what you think of it. Did you find it easy or difficult to read? Did it provide the information that you were looking for? Did it contain useful and interesting information about the Council and the way it conducts its business?

Perhaps you are a student or a teacher and have used this Statement of Accounts as a basis for an educational project or you are involved in activities in partnership with the Council or you are just an interested member of the public: we value your comments equally, so do not be afraid to make them.

We want to make this document widely available, understandable and useful to the people of Peterborough and other stakeholders. Over the years we have reduced the amount of jargon that it contains and we have tried to increase the number of explanatory notes but we know that we need to do more. So, don't be shy. We would like to hear from you!

Please send your comments to the Head of Corporatre Services,
Peterborough City Council,
Manor Drive,
Paston Parkway,
Peterborough, PE4 7AP.
(e-mail FinanceManagementTeam@peterborough.gov.uk)

Thank you.

Index of Notes to the Core Financial Statements

AUDIT COMMITTEE	AGENDA ITEM No. 5
28 JUNE 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

BUDGET MONITORING REPORT FINAL OUTTURN 2009/10

R E C O M M E N D A T I O N S	
FROM : *Executive Director Strategic Resources*	**Deadline date :** 18 June 2010

1. That the final outturn position (based on expenditure at the end of March 2010) on the Council's revenue and capital budget is noted.
2. That the performance against the prudential indicators be noted.
3. That the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments be noted.
4. That the financial uncertainty of local government financing in future years and how this could impact the Council be noted.

1. ORIGIN OF REPORT

1.1. This report is submitted to Audit Committee on 28 June 2010 as part of the Statement of Accounts and then to Cabinet as a monitoring item. This report has been discussed at CMT (Corporate Management Team) on 15 June 2010.

2. PURPOSE AND REASON FOR REPORT

2.1. The purpose of this report is to inform Members of the final financial performance for revenue and capital at 31 March 2010.

2.2. This report also contains performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	**NO**	If Yes, date for relevant Cabinet Meeting	

4. FINAL OUTTURN 2009/10

4.1. Corporate Overview

4.1.1. The financial year 2009/10 has been a challenging financial year with an array of one off and emerging pressures since Full Council approved the revenue and capital budget requirement for 2009/10 in February 2009. Early in the financial year, an analytical review concluded that high level risks and issues would require careful monitoring, review and appropriate management action to ensure that the financial position of the Council remained stable. Specific risk and issues included:

i. Continuing reduced trend in income streams such as planning fee income, rent and leases, fees and charges, sponsorship and advertising income;
ii. Demand led budgets such as looked after children, concessionary fares, revenue and benefits services;
iii. Emerging 'one off' pressures;
iv. The continued ability to meet the Council's ambitious savings programme;
v. The effective management of the overall capital programme to meet the Council's longer term objectives both within financial and people resources; and
vi. The Council's ability to generate capital receipts through asset disposal, mainly due to the slow down of development during the recession.

4.1.2. The external influences such as the ongoing recession, the impact of 'Baby P' on Children Social Care budgets, slow down of development and growth and the uncertainty of future local government funding underwent due diligence, particularly through the latter part of the financial year, incorporating outcomes into a five year financial plan from 2010. The Council is not alone in experiencing these external influences along with all other local authorities and business, the Council has been negatively affected by the recession and its consequences.

4.1.3. The Council has remained in good stead, proactively managing risks and issues within departments and corporately as set out previously to CMT / Cabinet in earlier reports.

4.1.4. In summary, the Council has been able to manage the expectations as set out in the Medium Term Financial Strategy (MTFS) with no detrimental impact to services such as service cuts, taken remedial action where required to mitigate pressures including addressing ongoing pressures within setting the financial strategy for 2010-2015 and ensured that the financial position of the Council has remained stable.

4.1.5. The financial position of the Council going forward in future years is likely to be more challenging, having been recognised by the budget deficits in the current MTFS from 2011/12 onwards. However, since the budget was set, a general election has changed the country's political landscape and inevitably brought further uncertainty for local government financing such as:

i. Coalition government announcing £6bn cuts to local government during 2010/11. At the time of writing this report, further detail has just been released with regards to the £1.165bn local government cuts to grants as part of the overall £6bn of cuts. An impact assessment is underway;
ii. Impact of the emergency budget to be announced on 22 June 2010;
iii. The MTFS assumed a grant freeze, recent announcements suggest this could be optimistic; and
iv. Continuing to deliver Business Transformation.

4.1.6. This report provides an overall financial position statement for the financial year 2009/10 and will contribute as a precursor of risks and issues to be considered on the financial impact of the Council in future years.

4.1.7. The Council remains committed to its strategy in delivering service efficiencies and improvements using a proactive approach to managing Council finances and delivering a longer term financial plan covering a rolling five year cycle.

4.2. **Financial Report - Revenue**

4.2.1 The Council's overall revenue position is £364k under spent, against a budget of £151,273k, an improvement of £1,192k since the adopted outturn was reported to Cabinet. This is in part due to the robust mechanisms put in place to mitigate the emerging pressures such as reduced income streams and demand led services, utilising the Council's reserves to meet one off costs as agreed during the setting of the MTFS 2010 – 2015 and slowing down non-priority spend or delaying projects and initiatives with no detriment to the MTFS. Alongside these actions, Children Services and Operations successfully delivered their action plans. All risks were corporately managed over the last quarter of the financial year.

Key Movements	**£000**	**£000**
Adopted Outturn		**828**
Corporate Solutions to Reduce Pressure	-71	
Service Action Plans to Reduce Pressure	-1,431	
Capitalisation of Redundancy Costs	-328	
Other Pressures and Management Actions	638	
Net Movement		-1,192
Final Outturn		**-364**

4.2.2 The main changes since probable outturn was published:

i. Reduced requirement to meet one off costs associated with re-opening Hereward College and the provision set aside for grants. Although there is no impact on the Council's revenue position, this has improved the Council's overall balances by £658k;

ii. Receipt of additional Housing Planning and Delivery Grant;

iii. Contingency budgets totalling £647k earmarked to meet specific one off pressures no longer required;

iv. The Council has benefited from a redundancy capitalisation direction granted by central government to meet the costs associated with statutory redundancy costs totalling £487k which has contributed to the improvement in the Council's overall balances;

v. Departments implementing local action plans such as vacancy management, freezing non business critical spend and delaying projects or initiatives in the short term with no consequences on service delivery.

4.2.3 In accordance with financial guidance, the Council has set aside specific reserves to meet commitments and current issues to mitigate risk exposure to the Council financially during 2010/11. Included within the above figures, £450k has been set aside to meet the costs associated with the formation of the Leisure Trust as presented to Cabinet during March 2010 and £400k has been set aside to contribute towards implementing the recommendations of the recent Children Social Care inspection.

4.2.4 The Council has taken a balanced view of the above actions and understanding of its cost drivers, in particular those deemed to be one off and those continuing costs that would not be sustainable to manage though budget monitoring alone. Continuing costs have been considered as part of setting the MTFS.

4.2.5 The under spend is summarised in the table below at departmental level. A further breakdown is included in Appendix A.

4.2.6 The Dedicated Schools Grant shows an under spend of £774k against a budget of £131,395k. Schools Forum is responsible for decisions related to the Dedicated Schools Grant. This has been included for information purposes only. In accordance with accounting guidance, the under spend has been carried forward to next financial year.

Adopted Outturn £(k)	Final Revenue Outturn Position	Annual Budget £(k)	Final Outturn £(k)	Outturn Variance £(k)
405	Deputy Chief Executive	6,746	6,282	-464
-66	Legal & Democratic Services	3,697	3,376	-321
0	Children's Services	45,399	45,446	47
316	City Services	15,794	15,864	70
650	Operations	24,833	25,240	407
-477	Strategic Resources*	15,286	15,183	-103
0	Adult Social Care	39,518	39,518	0
828	**General Fund Total**	**151,273**	**150,909**	**-364**
	Transfer to Capacity Building Reserve			364
-828	Corporate Mitigations			
-2,173	(Deficit) to General Fund Balance			-2,242
6,000	General Fund Balance Brought Forward			6,000
3,827	General Fund Balance Carried Forward			**3,758**
228	**Dedicated School Grant Total**	**131,395**	**130,621**	**-774**

*Excludes re-profiling of VAT shelter income expected from Cross Keys. The shortfall will be met from the General Fund working balance as per the current MTFS with the working balance being replenished in future years.

4.3. **Financial Report - Reserves**

4.3.1 In setting the 2009/10 budget, the level of Council balances was considered sufficient in meeting the MTFS recognising the requirement to review the balances to ensure delivery of the Council's priorities. As part of setting the MTFS 2010/11 consideration was given to a five year financial review and in the context of uncertainty leading up to a general election and future funding arrangements. Subsequently the next table has been updated to reflect the current position going forward over the next five years.

4.3.2 The overall level of balances assumes that the under spend of £364k reported within revenue outturn position is transferred to the capacity building reserve. Although the current reported position is healthier than that reported earlier in the year, it is anticipated to diminish over the next five years due to some balances being specific to costs that will be incurred over the next five years.

4.3.3 The capacity building reserve is likely to be fully utilised in future years as pressures emerge and the uncertainty around local government financing. The five year overview assumes a position before any detailed work has been undertaken with regards to the £6bn cuts impact assessment.

Council Balances	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Balance at 31.03.10 £000	Estimated Balance at 31.03.11 £000	Estimated Balance at 31.03.12 £000	Estimated Balance at 31.03.13 £000	Estimated Balance at 31.03.14 £000	Estimated Balance at 31.03.15 £000	Estimated Balance at 31.03.16 £000
Departmental Reserves Total	**3,430**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial Property Portfolio Reserves	**6,000**	**4,484**	**3,374**	**2,563**	**1,877**	**1,441**	**1,005**
Iceland Reserve	**838**	**0**	**0**	**0**	**0**	**0**	**0**
Provision of Grants Reserve	**250**	**0**	**0**	**0**	**0**	**0**	**0**
Parish Council Burial Ground Reserve	36	36	36	36	36	36	36
Insurance Reserve	2,408	2,308	2,208	2,108	2,008	1,908	1,808
Capacity Building Reserve*	2,557	2,037	2,242	2,242	2,242	2,242	2,242
Schools Capital Expenditure Reserve	1,307	1,307	1,307	1,307	1,307	1,307	1,307
Corporate Reserves Total	**6,308**	**6,828**	**5,618**	**4,707**	**3,921**	**3,385**	**2,849**
General Fund Working Balance	3,758	4,712	5,515	6,000	6,000	6,000	6,000
Total Reserves	**20,584**	**16,024**	**14,507**	**13,270**	**11,798**	**10,826**	**9,854**
*NB - The capacity building reserve as at 31 March 2010 includes the under spend of £364k							
The capacity building reserve assumes £2m 2010/11 and £205k 2011/12 MTFP capacity bids will be fully utilised							

4.3.4 The following table provides a summary of reserve balances since the estimated position was published within the MTFS.

Summary of Balances (Movement between MTFS and actual position 31 March 2010	MTFS (Full Council) £k	Net in year Movement £k	New £k	Actual Balance £k
General Fund Working Balance	3,827	-69	0	**3,758**
Earmarked Reserves:				
- Insurance	2,341	-13	80	**2,408**
- Capacity Building Reserve	247	2,778	-468	**2,557**
- Departmental (Includes Peterborough College of Adult Education reserve)	1,728	-215	1,917	**3,430**
- Schools Capital Expenditure Reserve	2,080	-1,416	643	**1,307**
- Commercial Property Portfolio	0	0	6,000	**6,000**
- Provision for Grants	0	0	250	**250**
- Iceland Reserve	0	0	838	**838**
- Parish Council Burial Ground Reserve	42	-6	0	**36**
Total Reserves	**10,265**	**1,059**	**9,260**	**20,584**

i. General Fund Working Balance – As reported previously to Cabinet and in alignment with the MTFS, this has reduced from the £6m working balance due to re-phasing of income received from Cross Keys now expected over future years. Based on the information on income streams from Cross Keys, it is expected that this fund will be fully replenished during 2012/13, although future year estimates are dependent on refreshing Cross Keys business plan;

ii. Insurance reserve - A year end adjustment has been made to the accounts;

iii. Capacity Building Reserve – The improved position is the result of releasing in excess of £1.4m from the schools capital expenditure reserve in accordance with accounting regulations, £658k previously set aside to meet one off costs associated with the re-opening of Hereward College and provision for grants, a release of provision no longer required, the revenue under spend of £364k and the release of miscellaneous reserves requests that were previously set aside to meet pressures during 2009/10;

iv. Schools Capital Expenditure Reserve – This reserve is earmarked for schools and managing future year's capital spend through the Council's capital programme. As the Council meets schools capital spend through the capital programme, it enables the release of funds within this reserve to be transferred to the capacity building reserve for Council use. There is no impact on school funding.

v. Commercial Property Portfolio – This reserve has been created to meet the future costs associated with the Council's property portfolio following the recession and continuing impact of void and vacant properties. The balance is committed over the next five years to meet costs and will therefore be run down gradually over the next five years. It is not expected to incur a burden for council tax payers;

vi. Provision for Grants – As reported to Cabinet previously, this is the residual amount now required to meet the outcome of audit certification of grants; and

vii. Iceland Reserves – The Council had a total of £3m invested in two Icelandic owned banks which went into administration in October 2008. A reserve has been set up to meet the costs of the loss based on the best estimate as at May 2010, an improvement from earlier in the financial year. Potentially, the cost to the Council could reduce further as work is ongoing to agree a final recovery rate and it is therefore prudent to create a reserve to meet the final shortfall.

4.4. **Financial Report - Capital**

4.4.1 The capital programme for 2009/10 as agreed in the Medium Term Financial Strategy (MTFS) was £78.9m. The final slippage of schemes from 2008/09 was £26.3m. This is mainly the result of delays with projects and new capital being added since the MTFS which resulted in a revised capital programme as at 1 April 2009 of £105.2m.

4.4.2 Throughout 2009/10, the capital programme has been refreshed to reflect the current position and the revised budget of £67.4m shown in the next table is after slippage and deferral of projects into future financial years has been applied. A total of £37.8m of capital schemes has either slipped or been deferred which include the Waste project, Hampton Secondary School and Affordable Housing.

4.4.3 The capital programme is financed through borrowing, capital receipts, grants and contributions. Given that the capital programme has reduced through slippage and deferral of projects this has reduced the amount of borrowing originally anticipated since setting the MTFS. However, if the schemes continue in future years, borrowing would still be required to fund these schemes and the revenue impact would need to be considered as part of refreshing the current MTFS.

4.4.4 Additionally, the Council was anticipating £6.4m in capital receipts to support the capital programme. The actual receipts received that can be applied to the capital programme have been lower £1,151k due to the general market conditions throughout the recession. It is noted that £5m of capital receipts has been contractually ‘committed’ subject to meeting conditions within the contracts. However this capital receipt income will not be expected now until during 2010/11 subject to satisfying the conditions imposed within the contracts. In accordance with accounting regulations, these capital receipts can only be applied to the capital programme once all of the conditions have been satisfied during the financial year in which they occur. Although the actual receipts have been lower, this has not been an issue due to the overall slippage within the capital programme.

Overall Position of the Capital Programme 2009/10 as at March 2010

Capital Programme by Directorate:	MTFS 2008 to 2010 £000	Revised 1st April 09 Budget £000	Revised budget at March 2010 £000	Actual Outturn £000
Adult Social Care	517	617	587	344
Deputy Chief Execs	10,323	13,342	968	926
Children's Services	27,225	37,896	25,449	19,403
City Services	1,958	3,503	1,879	2,053
Operations	25,043	31,728	21,511	21,185
Strategic Resources	13,796	18,158	17,070	17,923
Total Expenditure	**78,862**	**105,244**	**67,464**	**61,834**
Financed by:				
Grants & Contributions	27,438	47,858	34,588	33,223
Capital Receipts	5,020	9,347	524	524
Capital Receipts Set Aside	(4,734)	(4,734)	-	-
Right To Buy Receipts	1,820	1,820	627	627
Supported Borrowing	7,696	7,696	7,696	7,696
Borrowing	41,622	43,257	24,029	19,764
Total Resources - required	**78,862**	**105,244**	**67,464**	**61,834**

4.5. **Financial Report – Treasury Management Activity for 2009/10**

4.5.1 The Treasury Management Strategy was fully revised during the year to take into account the revision of the prudential code and the lessons learnt from the Icelandic Banks. The main objectives of the Strategy are to reduce the revenue cost of the Council's debt in the medium term, to seek to reschedule debt at the optimum time and to invest cash balances with dependable institutions at interest rates higher than the cost of borrowing.

4.5.2 In summary, therefore, the following actions were taken during 2009/10:

i. Investments were placed in accordance with the restricted lending list implemented in October 2008 following the economic crisis. The current lending list ensures investments are secure but interest returns are low due to the limitation of institutions used and also the level of the bank base rate. However during 2009/10 the Council's investment performance has exceeded the benchmark by 1.35%. This is largely due to fixed term deposits placed in 2008/09 for one year at higher rates before the decline in interest rates over the last 18 months.

ii. Investments were placed for short periods to cover cash flow deficits in anticipation of a rise in the bank base rate, a rise in market rates and an extension of the lending list to include all of the UK institutions included in the Treasury Strategy.

iii. As borrowing rates continued to be higher than investment rates in 2009/10, the cash balances were used to finance the capital programme instead of borrowing. This has resulted in a fall in the overall investment balance held but has also saved on borrowing costs that extra long term borrowing would of incurred.

4.5.3 The 2009/10 treasury management activities are summarised as follows:

	Strategy	Action
a)	Exploit long-term funding opportunities at interest rate levels that are below short-term rates forecast / anticipated over the foreseeable future.	Borrowing has been avoided by running down the cash balances whilst borrowing costs remain higher than investment return

	Strategy	Action
b)	Consider rescheduling of fixed or variable rate loans to maximise interest rate savings and minimise the impact on Council budgets.	Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made. The PWLB are proposing to the reduce the differential between loan borrowing rates and prepayment rates and this may lead to opportunities for rescheduling in the future
c)	Consider repayment of external loans or avoid new borrowings when it is in the best financial interest to do so.	As investment returns remained below the cost of borrowing during the financial year, cash balances were used to finance the capital programme and no new borrowing was required
d)	Invest with credit worthy organisations to limit exposure against loss.	The Council has continued with the lending list implemented in October 2008. Currently the Council only lends to the UK Government, local authorities and our own bank, Barclays.
e)	To achieve the optimum investment return commensurate with security, liquidity requirements (access to funds), debt management alternatives (avoidance of borrowings, premature repayments etc), if these would generate savings in the medium term.	Cash balances have been used to finance capital expenditure to minimise counterparty risk and as an alternative to diminishing investment returns. Even allowing for the non-performing Icelandic deposits, the Council's investments have yielded 1.77% compared to the benchmark of 0.42%

4.5.4 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2009 SoRP this now includes the liability for the Private Finance Initiative (PFI) agreement.

4.5.5 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B.

4.5.6 In 2009/10 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2009	**198,013**
New Capital Expenditure Financed by Borrowing	27,460
Minimum Revenue Provision for Debt Repayment	(7,465)
Closing Capital Financing Requirement 31 March 2010	**218,008**

4.6. **Financial Report – Performance Monitoring**

4.6.1 Performance monitoring information is shown in Appendix C.

5. CONSULTATION

5.1. Detailed reports have been discussed in Departmental Management Teams.

6. ANTICIPATED OUTCOMES

6.1. To note the outturn position for the Council.

6.2. To note the performance figures and prudential indicators for the Council.

6.3. To note the actions that has been taken during 2009/10 and into the Medium Term Financial Strategy.

7. REASONS FOR RECOMMENDATIONS

7.1. This monitoring report for 2009/10 financial year is part of the process for producing the Statement of Accounts.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1. None required at this stage.

9. IMPLICATIONS

9.1. This report does not have any implications effecting legal, human rights act or human resource issues.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985).
Detailed monthly budgetary control reports prepared in Departments.

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Adopted Outturn Variance £(k)		Annual Budget £(k)	Final Outturn Forecast £(k)	Outturn Variance £(k)
	DEPUTY CHIEF EXECUTIVE'S DEPARTMENT			
-25	Chief Execs Department	431	422	-9
-66	Legal & Democratic Services	3,697	3,376	-321
113	Deputy Chief Executive Unit	2,196	2,078	-118
-91	Delivery	2,482	1,988	-494
369	Communications	854	1,050	196
-26	Strategic Improvement	394	283	-111
151	Human Resources	389	461	72
-86	Action Plan / Use of Balances	0	0	0
339	**CHIEF EXECUTIVE DEPARTMENT TOTAL**	**10,443**	**9,658**	**-785**
	DIRECTOR OF CHILDREN'S SERVICES			
491	Resources, Commissioning and Performance	12,149	9,878	-2,271
204	Learning & Skills	7,245	7,855	610
-281	Family and Communities	7,279	6,570	-709
1347	Children's Social Care	18,726	21,143	2,417
-1761	Action Plan / Use of Balances	0	0	0
0	**CHILDREN'S SERVICE TOTAL (GENERAL FUND)**	**45,399**	**45,446**	**47**
	DIRECTOR OF CITY SERVICES			
-104	Building & Technical	-203	-117	86
-146	Street Scene & Facilities	506	322	-184
0	Property, Design and Maintenance	-246	-285	-39
0	Other Trading Activities and Business Support	2,056	2,248	192
273	Maintenance	13,616	13,384	-232
360	Westcombe	65	312	247
-67	Action Plan	0	0	0
316	**CITY SERVICES TOTAL**	**15,794**	**15,864**	**70**
	DIRECTOR OF OPERATIONS SERVICES			
93	Business Support	1,382	1,460	78
251	City Operations	-416	-399	17
522	Cultural Services	4,457	5,082	625
39	Directors Office	619	559	-60
-62	Environment and Transport	12,670	11,787	-883
1484	Neighbourhoods	4,740	5,253	513
453	Planning Services	1,381	1,498	117
292	Balancing - Shortfall	0	0	0
-2422	Action Plan / Use of Balances	0	0	0
650	**OPERATIONS SERVICES TOTAL**	**24,833**	**25,240**	**407**
	DIRECTOR OF STRATEGIC RESOURCES			
0	Director's Office	262	115	-147
-78	Business Support	687	536	-151
3237	Corporate Services	11,384	10,499	-885
665	Strategic Property	-4,263	-3,526	737
17	Transactional Services	56	79	23
-81	Insurance	935	853	-82
21	Internal Audit	2	16	14
42	HR Payroll	347	374	27
-76	Procurement	-509	390	899
125	Business Transformation	2,761	2,454	-307
0	Waste Management	70	35	-35
-409	ICT	1,182	1,310	128
333	Customer Services	1,795	2,091	296
-28	Revenue and Benefits	577	23	-554
0	Trading Accounts	0	-66	-66
-4245	Corporate Pressures / Action Plan / Use of Balances	0	0	0
-477	**STRATEGIC RESOURCES TOTAL**	**15,286**	**15,183**	**-103**
	ADULT SOCIAL CARE TOTAL	**39,518**	**39,518**	**0**
828	**GENERAL FUND TOTAL**	**151,273**	**150,909**	**-364**
228	**DEDICATED SCHOOL GRANT TOTAL**	**131,395**	**130,621**	**-774**

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Appendix B

Prudential Indicators for 2009/10

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

(a) capital expenditure plans are affordable,

(b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

(c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

The Code requires each authority to set a range of Prudential Indicators for the next financial year and the two succeeding ones. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy. The outturn for the Prudential Indicators for 2009-10 and where applicable the impact on 2010/11 are set out in this appendix.

The 2009 Statement of Recommended Practice (SoRP) introduced a new accounting policy with regards to how Private Finance Initiative (PFI) arrangements are accounted for. The new accounting policy results in PFI related assets being brought on to the Council's Balance Sheet, in the Council's case three secondary schools, which in turn impacts the Council's capital financing.

Performance against the following Prudential indicators are shown as originally estimated in the 2009/10 Medium Term Financial Strategy (MTFS) and are revised for the impact of the PFI adjustment.

1. Indicator One: Adoption of the CIPFA Code of Treasury Management in the Public Services

The Council adopted the CIPFA Code of Treasury Management in the Public Services in 2002, and the revised code in February 2010. Treasury Management Practices (TMP's) have been established with advice from Sector Treasury Services and applied to the Council's treasury management activities.

2. Indicator Two: Estimates and actual Capital Expenditure 2009/10

	2009/10 Prudential Indicator £m	**2009/10 Actual Expenditure £m**
Capital Expenditure	78.9	61.8

This indicator is the estimated and actual capital expenditure for the year based on the Capital Programme for that period.

3. Indicator Three: Estimates of actual capital financing requirements and net borrowing

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. It is calculated from various capital balances in the Council's Balance Sheet.

	2009/10	**PFI**	**Revised 2009/10**
	£m	**£m**	**£m**
Prudential Indicator	185.4	50.0	235.4
Actual	168.0	50.0	218.0

4. **Indicator Four: Affordability (1) Estimate of actual ratio of financing costs to net revenue stream**

The net revenue stream is the authority's net revenue budget funded from Council Tax and Government grants. The actual revenue financing was £264m, including DSG. Actual financing costs were £15m

	2009/10	PFI	Revised 2009/10
	%	%	%
Prudential Indicator	4.70	0.75	5.45
Actual	4.36	0.75	5.11

5. **Indicator Five: Affordability (2) Estimate of the incremental impact of capital investment decisions on the Council Tax**

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done of the basis of the amount of the capital programme that was financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget. The revenue costs are divided by the estimated Council Tax base for the year:

	2009/10	PFI	Revised 2009/10
	£	£	£
Prudential Indicator	20.93	-	20.93
Actual	18.06	-	18.06

The overall impact of the PFI arrangement for this Prudential Indicator is zero. This is because the change in accounting treatment has no additional impact on the Council's revenue expenditure.

6. **Indicators Six: External Debt Prudential Indicators**

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent". The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year. The limits also incorporated margins to allow for exceptional short-term movements in the Council's cash flow, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However the Council can revise the limit during the course of the year.

"Other long term liabilities" include items that would appear on the balance sheet of the Council under that heading. For example, the capital cost of finance leases would be included.

The Operational Boundary is a measure of the day to day likely borrowing for the Council, whereas the Authorised Limit is a maximum limit. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated, as a potential symptom of a more serious financial problem.

	2009/10	2009/10	Revised 2009/10
	Prudential Indicator	Actual- exc. PFI	Actual inc. PFI
	£m	£m	£m
Authorised Limit for external debt -			
borrowing	250.0	134.5	134.5
other long term liabilities	4.0	1.0	51.0
Total	**254.0**	**135.50**	**185.50**
Operational Boundary for external debt -			
borrowing	195.0	134.5	134.5
other long term liabilities	3.0	1.0	51.0
Total	**198.0**	**135.5**	**185.5**

7. Indicator Seven: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing.

The limit is expressed as the value of total borrowing less investments

	2009/10	2009/10
	Prudential Indicator	Actual
	£m	£m
Upper limit for variable rate exposure	46.0	0

8. Indicator Eight: Fixed Interest rate exposures

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit (100%), allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the great majority of borrowing is at fixed rate which provides budget certainty. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the great majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2009/10 Prudential Indicator	2009/10 Actual
	£m	£m
Borrowing	250.0	134.5
Investment	-	(13.4)
Total	**250.0**	**121.10**

9. Indicator Nine: Prudential limits for the maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The limits were as follows:

Period	Upper Limit Estimate	Lower Limit Estimate	Actual
Under 12 months	30%	0%	13%
1 - 2 years	30%	0%	1%
2 - 5 years	80%	0%	0%
5 - 10 years	80%	0%	0%
over 10 years	100%	10%	86%

10. Indicator Ten: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days, which can be advantageous if higher rates are available; however it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs

Principal sums invested for over 364 days (per maturity date)	2009/10 Prudential Indicator £m	2009/10 Actual £m
Upper limit	25.0	-

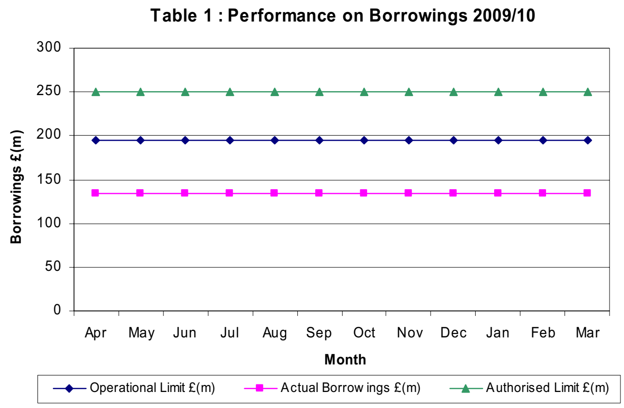
Appendix C

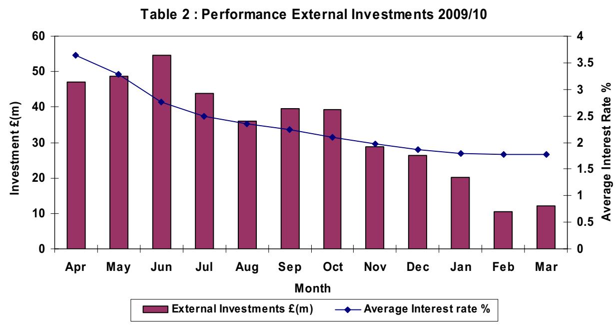
PERFORMANCE MONITORING DATA

Treasury Management

Treasury management activities cover borrowings raised to finance the Council's capital expenditure and investment of its cash balances. The Council's external debt as at 31 March 2010, which is all at fixed rate, was £134.5 million at an average rate of 4.57%. This average rate can be compared to the Bank Base Rate, 0.5% from 5 March 2009, and interest receivable on investments. The actual total external debt of £134.5 million can be compared against the Council's Authorised Limit for borrowing of £250 million which must not be exceeded, and the Operational Boundary (maximum working capital borrowing indicator) of £195 million.

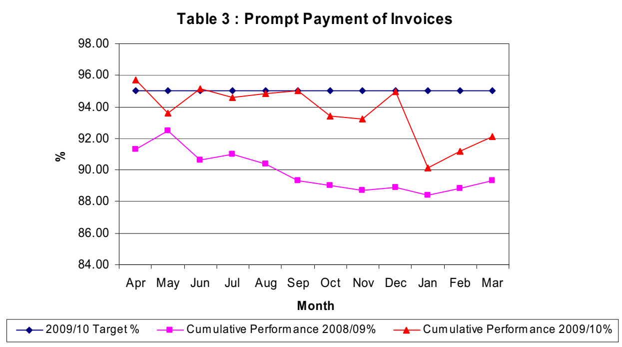
At 31 March 2010 external investments totalled £12.2 million and have yielded interest at an average rate of 1.77% in the financial year 09-10. This amount excludes the Icelandic investments. The performance of the investments is above the target benchmark 7 day rate of 0.42%. This high performance of interest returns will decline as the investments made before the bank base rate cut to 0.50% mature and are replaced.





Prompt Payment (Invoices paid within 30 Days)

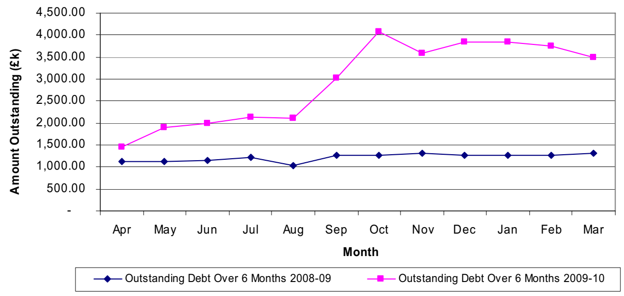
The cumulative performance (93.80%) for the prompt payment of invoices for 2009/10 in comparison to the cumulative performance for 2008/09 is shown in Table 3.



Sundry Debt Performance

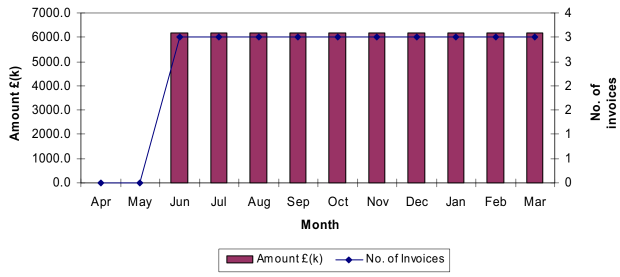
The outstanding sundry debt figure for debt in excess of 6 months old at the end of 2009/10 is £3.5m. The impact of the recession has resulted in delayed payment of invoices by customers, non payment or rescheduling of the amount due into instalments. During 2009/10 the debt function has been overhauled and centralised from April 2010 to improve debt management. Action is currently ongoing to identify uncollectable aged debt and process these for write off in appropriate cases.

Table 4 : Sundry Debt Performance



The total amount of write offs completed during 2009/10 totalled £6,172. Due to a revision of debt management processes, debt write off has remained static. However, it is anticipated that the centralised debt processes will identify older debt for write off and therefore the Council's debt provision has been revised to reflect uncollectable aged debt based upon best estimate.

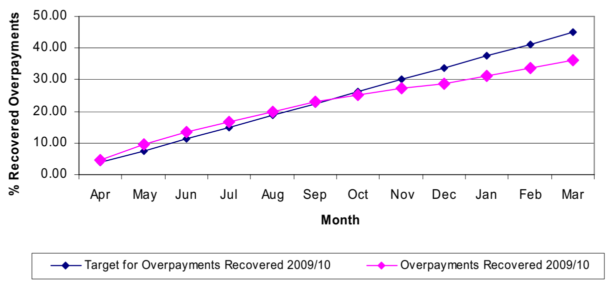
Table 5 : Amount Written Off



Housing Benefit Overpayments

Table 6 shows the total amount of housing benefit overpayments recovered against the target rate of 45%.

Table 6 : Housing Benefit Overpayments Recovered



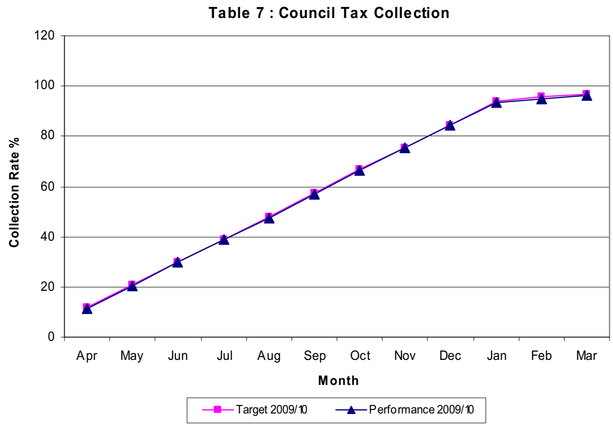
Work continues in this area to improve current performance, the Council carried £1.914m over at 31 March 2009 and raised a further £1.757m of overpayment debt during the year. Of the total debt £1.327m has been recovered this year, equating to 37.79% of in year identified and previous year balances collected. This is an increase of 0.13% on the collection rate for 2008/09. The benefit caseload increased by 1,338 during 2009/10 the largest increase being in working age claimants. These claim types give rise to a larger number of overpayments due to the greater number of changes to entitlement that are recorded for this group.

Council Tax and Business Rates Collection

The following tables 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.

Council Tax

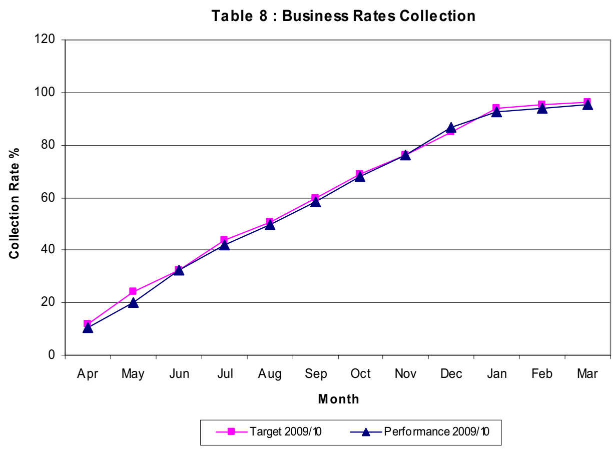
The collection rate for Council Tax at the end of the financial year 2009/10 is 96.06% against a target of 96.5% (down 0.44%). Compared with the collection rate for the previous year when the collection rate was 96.24% (down 0.12%).



The economic downturn faced in 2008/09 has affected the ability to increase collection rates in 2009/10 as council tax payers are still paying previous years arrears and delaying current year payments. There can be little doubt that this has affected the ability to improve upon the previous years collections although proactive recovery actions are being taken by the recovery team the impact of these has not been as effective as anticipated. An end to end review of the recovery process and the methods used is being undertaken in 2010/11 to implement improvements in collection. This will be undertaken in conjunction with the move to the new structure for the service.

Business Rates

The collection rate for Business Rates at the end of the financial year 2009/10 is 95.7%. This is 2.5% down on the target and 1.2% down on the previous year. The impact of the changes in legislation introduced on 1 April 2008 that introduced charges for previously exempt properties are still having an impact as organisations and individuals owning these properties in many cases do not have the financial resources to pay the charge and in the current economic climate are unable to find a tenant for the property. This change increased the overall amount that needed to be collected by some £8m on accounts where it was always known there would be significant problems with collection. In addition to this the continuing economic situation is undoubtedly continuing to have a direct impact on the level of business rates collected.



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AUDIT COMMITTEE	AGENDA ITEM No.6
28 JUNE 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Collins, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

FEEDBACK REPORT

1. ORIGIN OF REPORT

1.1 This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

2.1 This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. FEEDBACK RESPONSES

3.1 **Appendix A** sets out the feedback items - items shaded have been actioned and agreed at subsequent Audit Committee meetings. Following their approval by Committee the identified actions will be transferred to the record of Actions completed for the municipal year.

APPENDIX A

AUDIT COMMITTEE: RECORD OF ACTION TAKEN (FEEDBACK REPORT)

MUNICIPAL YEAR: MAY 2010 - APRIL 2011

<table>
<tr><th>DATE ISSUE RAISED</th><th>SUBJECT / ITEM</th><th>AUDIT COMMITTEE COMMENTS</th><th>OFFICER RESPONSIBLE</th><th>ACTION TAKEN</th><th>SIGN OFF DATE</th></tr>
<tr><td>7 June 2010</td><td>Agenda Item 5:
Fraud & Irregularity Annual Report 2009 / 2010</td><td>To provide figures of how many blue badge applications were being dealt with on a yearly basis.</td><td>Diane Baker</td><td>Blue badge statistics show that for the last full year, and the first 2 months of the new year:
<table>
<tr><th></th><th>2009 / 2010</th><th>Apr'10-May'10</th></tr>
<tr><td>New Applications</td><td>968</td><td>121</td></tr>
<tr><td>Renewals</td><td>2,131</td><td>325</td></tr>
<tr><td>ISSUED</td><td>3,099</td><td>446</td></tr>
<tr><td>Refused</td><td>68</td><td>4</td></tr>
<tr><td>Total Applications</td><td>3,167</td><td>450</td></tr>
</table>
</td><td></td></tr>
</table>

AUDIT COMMITTEE	AGENDA ITEM No.7
28 JUNE 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Collins, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

WORK PROGRAMME 2010 / 2011

1. ORIGIN OF REPORT

1.1 This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report summarises the proposed Work Programme for the Municipal Year 2010 / 2011 together any training needs identified.

2. UPDATE

2.1 Training

Any specific training is normally provided prior to each committee meeting - at the request of the Chair it is proposed that this starts at 18.00. The exception to this rule has been training on scrutinising the Statement of Accounts which took place on Monday 21 June 2010.

The future training proposals agreed at the last meeting (7 June 2010) are:

Date	Time	Description	Commentary
6 September	18.00	Risk Management	To provide new and existing Members of the Committee with background information on the development of risk management within PCC together with some practical examples.

2.2 Work Programme

The Work Programme was endorsed at the last meeting (7 June 2010), and is refreshed at every Audit Committee meeting.

APPENDIX A

Last Updated: 16 June 2010

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
REGULAR AGENDA ITEMS								
Member Training (Future needs to be determined prior to each meeting)		✓	✓	✓	✓	✓	✓	✓
Feedback Report		✓	✓	✓	✓	✓	✓	✓
Audit Committee: Work Programme		✓	✓	✓	✓	✓	✓	✓

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
ACCOUNTS								
Statement of Accounts / Summary Accounts 2009 / 2010 (incorporating Annual Governance Statement)	Steven Pilsworth	-	✓	-	-	-	-	-
Audit of Statement of Accounts	PwC Steven Pilsworth	-	-	-	✓	-	-	-
International Financial Reporting Standards	Steven Pilsworth	-	-	✓	-	-	✓	-

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITY								
Internal Audit: Annual Report 2009 / 2010	Steve Crabtree	✓	Meeting set aside to scrutinise the Councils draft accounts	-	Meeting set aside to scrutinise the Councils final accounts following External Audit review	-	-	-
Internal Audit: Progress Report: Quarterly	Steve Crabtree	-		✓		✓	✓	-
Internal Audit: Strategy and Plan 2011 / 2012	Steve Crabtree	-		-		-	-	✓
Internal Audit: Miscellaneous Commissioned Reports (Additional works outside agreed Audit Plan)	Steve Crabtree	-		✓		✓	✓	-
External Audit: Reports (subject to availability)	PwC Steve Crabtree Steven Pilsworth	-		✓		✓	✓	✓
External Audit: Joint Audit and Inspection Plan	PwC Steve Crabtree Steven Pilsworth	-		-		-	✓	-
NEW ITEM: **CIFPA Consultation Document: The Role of the Head of Internal Audit**	Steve Crabtree	-		✓		-	-	-

Activity Area	Responsible Officer	7 June 2010	28 June 2010	6 Sept 2010	27 Sept 2010	1 Nov 2010	7 Feb 2011	28 March 2011
REGULATORY FRAMEWORK								
Draft Annual Governance Statement	Steve Crabtree	✓	Meeting set aside to scrutinise the Councils draft accounts	-	Meeting set aside to scrutinise the Councils final accounts following External Audit review	-	-	-
Annual Governance Statement: Progress	Steve Crabtree	-		-		✓	-	-
Assurance Framework	Steven Crabtree	-		-		-	-	✓
Assurance Framework: 6 Month Refresh	Steve Crabtree	-		-		✓	-	-
Audit Committee: Annual Report	Steve Crabtree	✓		-		-	-	-
Fraud: Annual Report 2009 / 2010	Diane Baker	✓		-		-	-	-
Regulation of Investigatory Powers Act	Diane Baker	-		✓		✓	-	✓
Risk Management Strategy	Stuart Hamilton	-		✓		-	-	-
Strategic Risk Register: Risk Profiles	Stuart Hamilton	-		✓		-	✓	-
Treasury Management Strategy	Steven Pilsworth	-		✓		-	-	-
Use of Resources	Steven Pilsworth	-		-		-	✓	-
Comprehensive Area Assessment	Steven Pilsworth	-		-		-	✓	-
Miscellaneous Financial Reports Review of other reports / policies as appropriate E.g. Changes to Contract Regulations, Financial Regulations, Accounting Policies etc.	Steven Pilsworth Steve Crabtree	-		✓		✓	✓	✓