

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2012/13



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Peterborough City Council

Statement of Accounts 2012/13

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Explanatory Foreword

1 The Council's Vision and Strategic Priorities

A bigger and better Peterborough that grows the right way *- through truly sustainable development and growth*

is the Council's ambitious vision for the future of Peterborough. Working through the Greater Peterborough Partnership, this vision will:

- Improve the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings
- Create 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

The Council's four strategic core priorities to deliver this vision:

- Creating the UK's environment capital
- Creating strong and supportive communities
- Creating opportunities – tackling inequalities
- Delivering substantial and truly sustainable growth

Further information is available at both

- Opportunity Peterborough (www.opportunitypeterborough.co.uk),
- The Greater Peterborough Partnership (www.gpp-peterborough.org.uk).

2 The Accounts

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2011 and The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2012/13. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the Chief Finance Officer in respect of the Statement of Accounts
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2013

- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2012/13
- *Notes to the Financial Accounts* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund and Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council

3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement (CIES) on page 9 shows the gross revenue expenditure and income together with net expenditure for 2012/13 compared with 2011/12 equivalents. The CIES is analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's organisational structures, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with SeRCOP. However, Note 16 page 25, demonstrates the presentational differences between these reporting requirements.

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

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

The following table compares the budget to the actual net expenditure based upon the Council's organisational structure. Figures in brackets indicate a favourable variance.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive Office	7,954	6,972	(982)
Children's Services	31,044	31,966	922
Operations	20,601	20,537	(64)
Strategic Resources	43,775	43,764	(11)
Adult Social Care	47,052	47,052	-
Total Council Expenditure	150,426	150,291	(135)
Transfer to earmarked reserve			135
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

The financing of the budget was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	1,409
Distribution from National Non Domestic Rates	72,674
Demand on the Collection Fund	64,322
Reserves	12,021
Total Financing	150,426

Significant pressures in Children Services were mostly offset by savings elsewhere as a result of positive management

action, and overall the Council underspent against budget by £135k.

Balances

At 31 March 2013, the General Fund working balance of the Council stood at £6m which is in line with the Medium Term Financial Strategy (MTFS).

In addition the Schools balances totalled £6.3m at 31 March 2013, compared to £6.8m at 31 March 2012.

4 Capital Expenditure

The main elements of capital expenditure, compared with the revised February 2013 budget after slippage, are shown below.

Capital Expenditure	Budget per MTFS 2012 Approved Budget	2012/13 Budget inc. slippage from 2011/12	Revised Budget at February 2013	Outturn
	£000	£000	£000	£000
Adult Social Care	3,769	4,524	1,901	1,395
Chief Executives	13,490	14,517	4,606	2,850
Children's Services	72,911	72,911	78,757	76,584
Operations	19,431	20,529	17,271	14,225
Strategic Resources	134,978	139,337	19,768	16,679
Total	244,579	251,818	122,303	111,733
Financed by:				
External Sources	33,676	35,232	39,012	31,415
Capital Receipts	15,495	15,495	5,332	5,059
Borrowing	195,408	201,091	77,959	75,259
Total	244,579	251,818	122,303	111,733

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

5 External Borrowings and Investments

At 31 March 2013 the Council had net borrowings including cash and outstanding interest of £199.9m (£140.5m in 2011/12).

2011/12		2012/13
£m		£m
29.2	Short Term Borrowing	57.3
115.4	Long Term Borrowing	153.4
(4.1)	Investments	(10.8)
140.5	Net Borrowing	199.9

6 Change in Accounting Policies

Where the Council uses depreciated replacement cost as a basis for valuations eg the theatre, libraries and schools, the 'instant build' approach is now used. This means that finance costs are excluded from the valuation, see Note 48 for further information.

7 Changes to Service Delivery and Future Developments

In February 2013 the Council entered into a contract with Virridor to build an 'energy from waste' facility. The facility will be built close to the power station in Fengate, and designed to meet the city's needs for the next 30 years. The facility will use heat to turn any waste, that can not be recycled, into ash and will save over 10,000 tonnes of CO₂ every year compared to sending the city's waste to landfill.

During the year the Council has continued to develop its role as an Environment Capital. It has led on a successful energy switching scheme helping residents obtain cheaper energy tariffs, and further developed its proposals for wind and solar farms which will generate income to support future Council services. In March 2013 the Council entered into a strategic partnership with British Gas to tackle fuel poverty in the city. This landmark programme will see British Gas upgrading energy inefficient homes through various measures such as cavity wall insulation and double glazing.

In terms of future service delivery the Government announced that from 1 April 2013 the responsibility for public health transferred from the NHS to the Council. The types of services which will be provided by the Council from 2013/14 include sexual health, drug and alcohol treatment, school nursing, and giving up smoking services. The Council will receive a grant from the Department of Health of £8.4m to provide these services.

Future funding of the Council through the Business Rates Retention scheme is a further significant change for 2013/14. The new funding arrangement will see the Council retain 49% of locally collected business rates, rather than paying 100% to central government and receiving a share back of the national pool, based on a formula, as is the case in 2012/13 and previous years. This new arrangement will now expose the Council to the risk of volatility in business rate income throughout the year.

8 Pensions

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

Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has increased during 2012/13, from £187.3m in 2011/12 to £215.5m. The change of £28.2m is largely a result of falling bond yields although this has been offset by higher than expected investment performance. Further details can be found in Note 7.

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

The Council's employer's contribution to the Fund was maintained at 17.6% in 2012/13 based on the advice from the independent Actuary. This percentage was reviewed as part of the triennial actuarial valuation during 2010. The next valuation is expected in late 2013, which will take effect 1 April 2014. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

9 Related Parties

The Council is required to disclose material transactions with related parties; bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by the Council. These disclosures can be found in Notes 14

and 15, and also on the Council's website in the Register of Interests for each Councillor.

10 External Auditors

The Council's auditors are PricewaterhouseCoopers. The duty to appoint auditors to local government is an Audit Commission core statutory function. Whilst in July 2011 Ministers agreed to the abolition of the Audit Commission, the body undertook a procurement exercise in March 2012 and it has been confirmed that PricewaterhouseCoopers will continue to be the Council's external auditors until 2017/18. See Note 3 for further information on external audit fees.

11 Conclusion

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

The Council approved the revenue and capital budget requirement for 2012/13 in February 2012 Medium Term Financial Strategy (MTFS). It forecast that at the same time the Council was experiencing unprecedented reductions in funding it was also experiencing significant increases in costs, with demand pressures existing in both Adult Social Care and Children Services budgets, and incurring costs associated with implementing the infrastructure required to support growth and regeneration.

During the year the Council has closely monitored and assessed the impact of these forecasted pressures, and implemented various management actions in order to control

the emerging in year pressures, whilst delivering savings as outlined in the MTFS. Such actions include spend only on business critical activities, implementation of robust panel process for accessing Adult and Children social care placements, and the re-profiling of capital investments.

The proactive style of financial management at the Council has resulted in a forecast overspend being reduced to a small underspend for the year of £135k, which has increased the Council's reserves. However, the Council is acutely aware that it can not be complacent in managing its financial resources given the deficits forecast in future years, the continued impact of the challenging economic climate and the requirement to ensure value for money is achieved across all of its services. As such the Council's approach remains founded on the basis of the Council being efficient, effective and accessible. The MTFS is based on the philosophy of:

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

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 Auditor's Report to the Members of Peterborough City Council

Opinion on the financial statements

Page will be updated with the audit report following completion of the external audit – September 2013

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Signed: _____

Date: _____

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

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.

Page will be updated with audit report following completion of external audit – September 2013.

Signed: _____

Date: _____

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

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2013 was approved at the meeting of the Audit Committee on 23 September 2013.

Signed on behalf of Peterborough City Council:

Chairman of meeting
approving the accounts:

*Note – not be signed until
September 2013*

Date:

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 9 to 81 present a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Executive Director
Strategic Resources:

Date:

June 2013

Comprehensive Income and Expenditure Statement (CIES)

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

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

<i>Restated 2011/12</i>			Comprehensive Income & Expenditure Statement (CIES)				2012/13		
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>		<i>Notes</i>	Gross Expenditure	Gross Income	Net Expenditure		
<i>£000</i>	<i>£000</i>	<i>£000</i>			£000	£000	£000		
2,509	(662)	1,847	Central Services to the Public		1,194	(533)	661		
444	-	444	Court Services		422	-	422		
12,255	(743)	11,512	Cultural & Related Services		11,379	(595)	10,784		
220,946	(175,598)	45,348	Education & Children's Services	1, 6	278,404	(166,650)	111,754		
15,669	(6,095)	9,574	Environmental & Regulatory Services		20,085	(5,903)	14,182		
24,713	(6,981)	17,732	Highways & Transport Services		26,274	(6,809)	19,465		
92,501	(84,433)	8,068	Other Housing Services		97,524	(90,445)	7,079		
11,805	(3,569)	8,236	Planning Services		11,502	(6,391)	5,111		
57,862	(10,985)	46,877	Adult Social Care	2, 6	74,433	(22,094)	52,339		
3,292	(1,191)	2,101	Corporate & Democratic Core	3, 4	3,117	(1,201)	1,916		
-	(3,117)	(3,117)	Non Distributed Costs		-	(4,589)	(4,589)		
441,996	(293,374)	148,622	Cost of Services	16	524,334	(305,210)	219,124		
11,972	(5,899)	6,073	Other Operating Expenditure	9	5,803	(4,081)	1,722		
25,045	(6,290)	18,755	Financing & Investment Income & Expenditure	10,11	24,667	(7,027)	17,640		
-	(176,239)	(176,239)	Taxation & Non-Specific Grant Income	12, 13	-	(168,507)	(168,507)		
479,013	(481,802)	(2,789)	(Surplus) / Deficit on Provision of Services	16	554,804	(484,825)	69,979		
		(29,262)	Surplus on Revaluation of Non-Current Assets	17,19			(9,153)		
		42,243	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			27,630		
		12,981	Other Comprehensive Income & Expenditure				18,477		
		10,192	Total Comprehensive Income & Expenditure				88,456		

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 9.

These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for further, more detailed movements, see Note 17.

Movement in Reserves during 2011/12 and 2012/13	Notes	General Fund Balance	Schools' Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	17	£000	£000	£000	£000	£000	£000	£000	£000
<i>Restated Balance at 1 April 2011</i>		6,000	6,749	17,038	-	4,964	34,751	104,580	139,331
<i>Deficit / (Surplus) on Provision of Services</i>		2,689	100	-	-	-	2,789	-	2,789
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(12,981)	(12,981)
Total Comprehensive Income & Expenditure		2,689	100	-	-	-	2,789	(12,981)	(10,192)
<i>Adjustments between accounting basis & funding basis under regulations</i>		(2,747)	-	-	-	(3,235)	(5,982)	5,982	-
Net Increase / Decrease before Transfers to Earmarked Reserves		(58)	100	-	-	(3,235)	(3,193)	(6,999)	(10,192)
<i>Transfers to / (from) Reserves</i>		58	-	(58)	-	-	-	-	-
Increase / (Decrease) in 2011/12		-	100	(58)	-	(3,235)	(3,193)	(6,999)	(10,192)
Restated Balance at 31 March 2012 Carried Forward		6,000	6,849	16,980	-	1,729	31,558	97,581	129,139
Restated Balance at 1 April 2012		6,000	6,849	16,980	-	1,729	31,558	97,581	129,139
<i>Deficit / (Surplus) on Provision of Services</i>		(69,425)	(554)	-	-	-	(69,979)	-	(69,979)
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(18,477)	(18,477)
Total Comprehensive Income & Expenditure		(69,425)	(554)	-	-	-	(69,979)	(18,477)	(88,456)
<i>Adjustments between accounting basis & funding basis under regulations</i>		67,749	-	-	-	(287)	67,462	(67,462)	-
Net Increase before Transfers to Earmarked Reserves		(1,676)	(554)	-	-	(287)	(2,517)	(85,939)	(88,456)
<i>Transfers to / (from) Reserves</i>		1,676	-	(1,676)	-	-	-	-	-
Increase / (Decrease) in 2012/13		-	(554)	(1,676)	-	(287)	(2,517)	(85,939)	(88,456)
Balance at 31 March 2013 Carried Forward		6,000	6,295	15,304	-	1,442	29,041	11,642	40,683

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 10, line 'Adjustments between accounting basis and funding basis under regulations'.

<i>Restated 1 April 2011 £000</i>	<i>Restated 31 March 2012 £000</i>	Balance Sheet	Notes	31 March 2013 £000
434,180	498,793	Property, Plant & Equipment	19	507,118
40,012	33,826	Investment Property	20	35,208
2,538	2,148	Intangible Assets	21	3,208
457	158	Long Term Investments	29	143
2,334	2,353	Long term Debtors	29, 30	2,332
479,521	537,278	Long Term Assets		548,009
449	438	Short Term Investments	29	141
484	385	Inventories	32	341
48,636	47,431	Short Term Debtors	33	46,055
15,634	3,270	Cash & Cash Equivalents	41	754
-	-	Current Intangible Asset	34	5
6,146	2,300	Assets Held for Sale	22	435
71,349	53,824	Current Assets		47,731
(20,883)	(29,213)	Short Term Borrowing	29	(57,327)
(57,520)	(65,494)	Short Term Creditors	35	(67,134)
(1,492)	(2,242)	Provisions	37	(2,810)
(79,895)	(96,949)	Current Liabilities		(127,271)
(145,349)	(187,284)	Long Term Creditors	7	(215,515)
(1,611)	(1,478)	Provisions	37	(654)
(115,387)	(115,387)	Long Term Borrowing	29	(153,387)
(43,688)	(43,445)	Other Long Term Liabilities	27, 28, 29, 30	(42,610)
(25,609)	(17,420)	Capital Grants Receipts in Advance	36	(15,620)
(331,644)	(365,014)	Long Term Liabilities		(427,786)
139,331	129,139	Net Assets		40,683
(34,751)	(31,558)	Usable Reserves	17	(29,041)
(104,580)	(97,581)	Unusable Reserves	17	(11,642)
(139,331)	(129,139)	Total Reserves		(40,683)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant

income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2011/12 £000	Cash Flow Statement	Notes	2012/13 £000
(2,789)	Net (Surplus) / Deficit on the Provision of Services		69,979
(33,400)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(71,993)
(20,845)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(36,738)
(57,034)	Net Cash Flows from Operating Activities		(38,752)
69,301	Investing Activities	39	97,890
97	Financing Activities	40	(56,622)
12,364	Net (Increase) / Decrease in Cash & Cash Equivalents		2,516
15,634	Cash & Cash Equivalents at the Beginning of the Reporting Period		3,270
(12,364)	Increase / (Decrease) in Cash and Cash Equivalents		(2,516)
3,270	Cash & Cash Equivalents at the end of the Reporting Period	41	754

Notes to the Accounts

1 Dedicated Schools Grant

Details of the deployment of DSG receivable for 2012/13 and for the previous financial year, 2011/12 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2012/13 before Academy recoupment			(149,212)
Academy figure recouped for 2012/13			29,829
Total DSG after Academy recoupment for 2012/13			(119,383)
Brought forward from 2011/12			(936)
Carry forward to 2013/14 agreed in advance			1,342
Agreed initial budgeted distribution in 2012/13	(17,359)	(101,618)	(118,977)
In year adjustments	-	-	-
Final budgeted distribution for 2012/13	(17,359)	(101,618)	(118,977)
Less actual central expenditure	17,803	-	17,803
Less actual ISB deployed to schools	-	101,618	101,618
Plus Council contribution for 2012/13	-	-	-
Carry Forward to 2013/14	444	-	444
Total amount carried forward			(898)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of

educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2011/12 before Academy recoupment			(124,491)
Academy adjustment for 2011/12			(6,139)
Total DSG after Academy recoupment for 2011/12			(130,630)
Brought forward from 2010/11			(497)
Carry forward to 2012/13 agreed in advance			276
Agreed initial budgeted distribution in 2011/12	(15,752)	(115,099)	(130,851)
In year adjustments	-	-	-
Final budgeted distribution for 2011/12	(15,752)	(115,099)	(130,851)
Less Actual central expenditure	15,092	-	15,092
Less Actual ISB deployed to schools	-	115,099	115,099
Plus Council contribution for 2011/12	-	-	-
Carry Forward to 2012/13	(660)	-	(660)
Total amount carried forward			(936)

2 Pooled Funds

The Council has two separate Pooled Partnership formed under Section 75 (S75) of the National Health Service Act 2006. The Council is lead commissioner and integrated provider of Health and Social Care Services for adults with learning disabilities in associated with NHS Peterborough. The other partnership arrangement is with Cambridgeshire and Peterborough Foundation Trust (CPFT) for Mental Health Services.

Learning Disability Services

The annual agreement for 2012/13 sets out the Council's contribution to the Pool, the level of performance that the Council aims to deliver across a range of performance indicators and key service developments that the Council will take forward. Activity for this partnership is shown in the Adult Social Care line in the Comprehensive Income and Expenditure Statement of £0.9m following the exclusion of transferred items associated with 'Valuing People Now' (original S75 £4.92m).

Mental Health Services

The Council has continued to honour a previous Section 75 agreement with CPFT for the provision of Mental Health Services. The Council's contribution to this Pooled Partnership of £1.28m is shown in the Adult Social Care line in the Comprehensive Income and Expenditure Statement.

3 External Audit Costs

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

2011/12 £000	External Audit Costs	2012/13 £000
239	Fees payable with regard to external audit services carried out by the appointed auditor	164
45	Fees payable for the certification of grant claims & returns carried out by the appointed auditor *	22
3	Fees payable in respect of other services provided by the appointed auditor	-
287	Total	186

* The 2011/12 figure stated for Fees payable in relation to the certification of grant claims and returns was estimated. The actual amount was £36,300.

4 Members Allowances

The following amounts were paid to members of the Council.

2011/12 £000	Members Allowances	2012/13 £000
708	Allowances	689
1	Expenses	-
709	Total	689

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2012/13, incurring liabilities of £4.3m (£2.2m 2011/12). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs include those paid and those provided for in the year, see Note 37 for details of the redundancy provision. The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the table below:

2011/12 £000	Termination Benefits	2012/13 £000
165	Central Services to the Public	30
88	Cultural & Related Services	9
1,146	Education & Children's Services	1,119
62	Environmental & Regulatory Services	24
130	Highways & Transport Services	26
2	Other Housing Services	18
93	Planning Services	111
22	Adult Social Care	2,929
87	Corporate & Democratic Core	-
14	Trading Operations	5
342	Support Services (<i>recharged to the services</i>)	76
2,151	Total	4,347

The numbers of packages agreed and the value of those packages are analysed below, in bands of £20k up to £100k and bands of £50k thereafter.

Termination and Exit Packages 2012/13							
Compulsory	Voluntary	Total	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
No.	No.	No.		£00	£000	£000	£000
7	131	138	£0 - £19,999	64	1,246	1,310	14
-	47	47	£20,000 - £39,999	-	1,360	1,360	156
-	21	21	£40,000 - £59,999	-	1,013	1,013	89
-	1	1	£60,000 - £79,999	-	63	63	25
-	2	2	£80,000 - £99,999	-	168	168	15
-	2	2	£100,000 - £149,999	-	225	225	69
-	1	1	£200,000 - £250,000	-	208	208	158
7	205	212	Total	64	4,283	4,347	526

Termination and Exit Packages 2011/12							
Compulsory	Voluntary	Total	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
No.	No.	No.		£00	£000	£000	£000
1	73	74	£0 - £19,999	1	439	440	34
-	38	38	£20,000 - £39,999	-	1,092	1,092	140
-	5	5	£40,000 - £59,999	-	253	253	45
-	3	3	£60,000 - £79,999	-	185	185	70
-	2	2	£80,000 - £99,999	-	181	181	77
1	121	122	Total	1	2,150	2,151	366

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

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers Pension Scheme

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

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

In 2012/13 the Council paid £5.9m to Teachers' Pension in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £6.4m and 14.1%. The contributions reduced between years as a secondary and a primary school have transferred to Academy status during 2012/13. There were no contributions remaining payable at the year-end.

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

NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care services. Present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs/pensions.

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

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into

a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

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

Impact of the Revised Standard

The figures in this note are based on the current version of International Accounting Standard for Employee Benefits (IAS19). Changes to IAS19 come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with International Accounting Standard for Accounting Policies, changes in Accounting Estimates and Errors (IAS8). The effect of the change to IAS19 on the income and expenditure statement to 31 March 2013 will be an increase of £2.2m. This will be disclosed in the report covering the year to 31 March 2014.

2011/12 £000	Comprehensive Income and Expenditure Statement	2012/13 £000
	Cost of Services:	
10,512	Current service cost	10,051
(2,413)	Past service cost	-
(506)	Curtailment and Settlement	(3,178)
	Financing & Investment Income & Expenditure	
22,359	Interest cost (Note 10)	22,211
(17,874)	Expected return on scheme assets (Note 10)	(15,691)
<u>12,078</u>	Total post employment benefit charged to the Deficit / (Surplus) on the Provision of Services	13,393
	Other employment benefit charged to the Comprehensive Income and Expenditure Statement	
42,243	Actuarial losses / (gains)	27,630
<u>54,321</u>	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	41,023
	Movement in Reserves Statement	
(54,321)	Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services for post employment benefits in accordance with the code	(41,023)
	Actual amount charged against the General Fund Balance for pensions in the year:	
12,386	Employer's contributions payable to scheme	12,792
<u>(41,935)</u>	Total Movement in Reserves Statement	(28,231)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £217.9m and at 31 March 2012 was a loss of £190.3m which has built up from 1st April 2004.

Assets and liabilities in relation to post employment benefits

31 March 2012 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2013 £000
407,309	Opening Liability at 1 April	465,018
10,512	Current Service Cost	10,051
22,359	Interest Cost	22,211
3,629	Contributions by Scheme Participants	3,232
25,111	Actuarial Losses / (Gains)	53,933
964	Losses on Curtailments (excluding settlement amounts)	319
(4,569)	Liabilities Extinguished on Settlements	(4,160)
(2,413)	Past Service Costs	-
12,290	Liabilities Assumed on a Business Combination	-
(10,174)	Benefits Paid	(10,398)
465,018	Closing Liability at 31 March	540,206

31 March 2012 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2013 £000
261,960	Opening Value at 1 April	277,734
17,874	Expected Rate of Return on Assets	15,691
(17,132)	Actuarial (Losses) / Gains	26,303
(3,099)	Assets Distributed on Settlements	(663)
12,386	Employer Contributions	12,792
3,629	Contributions by Scheme Participants	3,232
12,290	Assets Acquired in a Business Combination	-
(10,174)	Benefits Paid	(10,398)
277,734	Closing Fair Value of Scheme Assets at 31 March	324,691

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 £42m (2011/12 £0.8m).

Scheme history

Local Government Pension Scheme	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present Value of Liabilities	270,081	480,626	407,309	465,018	540,206
Fair Value of Assets in the Scheme	(178,074)	(249,867)	(261,960)	(277,734)	(324,691)
Deficit in scheme	92,007	230,759	145,349	187,284	215,515

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £215.5m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 17, page 34. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £8.8m.

Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

31 March 2012		31 March 2013
Long-term expected rate of return on assets in the scheme		
6.3%	Equity Investments	4.5%
3.3%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
Mortality Assumptions		
Longevity at 65 for Current Pensioners:		
21.0	Men (years)	21.0
23.8	Women (years)	23.8
Longevity at 65 for Future Pensioners:		
22.9	Men (years)	22.9
25.7	Women (years)	25.7
Financial Assumptions		
2.5%	Rate of inflation	2.8%
2.5%	Rate of increase in pensions	2.8%
4.8%	Rate of increase in salaries	5.1%
5.6%	Expected return on assets	4.5%
4.8%	Rate for discounting scheme liabilities	4.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund based on the latest full valuation

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

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

31 March 2012		31 March 2013
%		%
72	Equity investments	76
14	Bonds	14
9	Property	7
5	Cash	3
100	Total	100

History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between expected and actual return on assets	(32.33)	19.29	1.28	(6.17)	8.10
Experience Gains and Losses on Liabilities *	0.16	(0.36)	(5.86)	(1.25)	0.02

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

8 Officers' Remuneration

The number of employees whose remuneration, including lump sum retirement payments but not any associated pension strain, was £50,000 or more in bands of £5,000 is shown in the table.

2011/12 Number of Employees	Remuneration Band	2012/13 Number of Employees
73	£50,000 - £54,999	89
43	£55,000 - £59,999	47
28	£60,000 - £64,999	31
19	£65,000 - £69,999	21
16	£70,000 - £74,999	18
11	£75,000 - £79,999	12
10	£80,000 - £84,999	8
7	£85,000 - £89,999	3
2	£90,000 - £94,999	2
4	£95,000 - £99,999	2
2	£100,000 - £104,999	3
1	£105,000 - £109,999	4
1	£110,000 - £114,999	2
-	£115,000 - £119,999	3
1	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	1
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
-	£155,000 - £159,999	-
-	£170,000 - £174,999	-
1	£175,000 - £179,999	1

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

The bands include those employees who have received remuneration and lump sum payments during the year. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

Interim Directors

In 2011/12 the Council entered into contracts with two companies to supply two interim Executive Directors. The associated costs are detailed below. These reflect sums paid to those companies, including fees, and do not necessarily reflect amounts received by the individuals themselves.

- Interim Executive Director Children's Services was appointed on 28 November 2011 and their contract ended on 21 December 2012, the cost of their service in 2012/13 was £161,453.
- Interim Executive Director Adult Social Services was appointed on 5 December 2011, the cost of their service in 2012/13 was £203,746. Their contract ended on 16 April 2013 with costs in 2013/14 of £9,000.

Senior Employees Remuneration

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

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

Post Holder	Year	Salary*	Bonuses	Expenses allowance	Compensation for loss of Office	Benefits in kind ⁺	Election duties	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) [#]	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley	2012/13	£169,265	-	-	-	-	£8,400	£177,665	£29,951	£207,616
	2011/12	£169,265	-	-	-	-	£6,000	£175,265	£29,951	£205,216
Executive Director Strategic Resources	2012/13	£120,282	-	-	-	-	£2,825	£123,107	£21,330	£144,437
	2011/12	£120,282	-	-	-	£16	£3,025	£123,323	£21,330	£144,653
Executive Director Operations	2012/13	£107,706	-	-	-	-	£1,825	£109,531	£19,116	£128,647
	2011/12	£107,706	-	-	-	£24	£525	£108,255	£19,116	£127,371
Executive Director Children Services from 22 December 2012	2012/13	£34,501	-	-	-	-	-	£34,501	£6,091	£40,592
	2011/12 to 2 September 2011	£62,641	-	-	£34,577	-	-	£97,218	£10,278	£107,496
Director of Adult Social Services to 1 January 2012. Interim from 5 December 2011	2012/13	-	-	-	-	-	-	-	-	-
	2011/12	£101,312	-	-	-	£73	£175	£101,560	£18,021	£119,581
Solicitor to the Council	2012/13	£105,186	-	-	-	-	£2,850	£108,036	£18,513	£126,549
	2011/12	£90,323	-	-	-	-	£2,750	£93,073	£15,897	£108,970

* Salary includes fees and allowances plus basic arrears. The officer salaries also reflect car parking charges which are deducted directly from earnings via a salary sacrifice scheme

+ Travel related benefits

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

9 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2011/12 £000		2012/13 £000
	Other Operating Expenditure	£000
397	Parish Council Precepts	418
564	Drainage & Flood Levies	567
6	Payments to the Government Housing Capital Receipts Pool (Note 17)	6
5,583	Net Losses on Disposal of Non Current Assets	967
858	Movement on Revaluation of Assets Held for Sale	-
(1,335)	Gains on Right To Buy Receipts	(236)
6,073	Total	1,722

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

2011/12 £000	Financing & Investment Income & Expenditure	2012/13 £000
10,271	Interest Payable & Similar Charges (Note 29)	10,277
4,485	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	6,520
(262)	Interest Receivable & Similar Income (Note 29)	(288)
(1,102)	(Gains) / Losses on Trading Operations - (Note 11)	2,975
5,363	(Gains) / Losses in Fair Value of Investment Properties (Note 20)	(1,844)
18,755	Total	17,640

11 Trading Operations

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

Trading Operations 2012/13	Expenditure £000	Income £000	Deficit / (Surplus) £000
Industrial Properties	1,243	(1,903)	(660)
Commercial Properties	509	(1,790)	(1,281)
Market Properties	364	(385)	(21)
Total for Properties	2,116	(4,078)	(1,962)
Other Traded Services	1,592	(817)	775
Sub Total	3,708	(4,895)	(1,187)
Capital Charges Adjustment	4,162	-	4,162
Total for Trading Units	7,870	(4,895)	2,975

Trading Operations 2011/12	Expenditure £000	Income £000	Deficit / (Surplus) £000
Industrial Properties	1,528	(1,646)	(118)
Commercial Properties	647	(1,960)	(1,313)
Market Properties	405	(530)	(125)
Total for Properties	2,580	(4,136)	(1,556)
Other Traded Services	2,161	(1,893)	268
Sub Total	4,741	(6,029)	(1,288)
Capital Charges Adjustment	186	-	186
Total for Trading Units	4,927	(6,029)	(1,102)

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. The majority relate to the Council's property portfolio, apart from Westcombe Engineering, a company set up to create employment opportunities for people with disabilities which is included within the Other Traded Services.

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

2011/12 £000	Taxation & Non-Specific Grant Income	2012/13 £000
(61,836)	Council Tax Income	(64,244)
(60,102)	Distribution of national non-domestic rates (NNDR)	(72,674)
(22,128)	Non-Specific Government Grants (Note 13)	(4,198)
(32,173)	Capital Grants & Contributions (Note 26)	(27,391)
(176,239)	Total Income	(168,507)

13 Grant Income

The Council receives a number of grants that contribute to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement, Note 11.

2011/12 £000	Taxation & Non Specific Grant Income	2012/13 £000
(18,578)	Revenue Support Grant	(1,409)
(1,533)	Council Tax Freeze Grant	-
(1,300)	New Homes Bonus	(2,117)
(717)	Local Services Support Grant	(672)
(22,128)	Total General Government Grants	(4,198)
(60,102)	Distribution of National Non-domestic Rates (NNDR)	(72,674)
(82,230)	Total non-specific Income from Government	(76,872)

14 Related Parties

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

have secured the ability to limit another party's ability to bargain freely with the Council.

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 16 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 33.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 4. Members have been consulted over potential related parties and four Councillors are directors of companies that have transacted with the Council in the last financial year. These companies include a day nursery, a construction company, a property company and Peterborough City Environmental Trust. The transactions with the day nursery are included in the following table but the other transactions are not of a material nature for either the Council or the company and are therefore not disclosed separately. The Register of Members' Interest is open to public inspection at the Town Hall during office hours and the details of Members Interests are disclosed in the Democracy area by Member on the Council's website.

Of the 57 Councillors one declaration of related party interests was not received by 14 June 2013.

Members and officers are appointed as representatives to various local and national bodies where related party

transactions could arise. The complete List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Democracy area of the Council's website. The following table details the major transactions between the Council and those organisations.

Organisation	Member/ Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr M Cereste Cllr M Lee Cllr J Peach Cllr M Jamil	41	2
LGA – Rural Commission	Cllr D Over Cllr I Walsh		
LGA – Urban Commission	Cllr G Eley Cllr J Peach		
Eastern Shires Purchasing Organisation	Cllr Holdich Cllr D Seaton	378	-
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	475	15
Opportunity Peterborough	Cllr M Cereste Cllr M Lee Cllr J Goodwin	559	100
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	85	13
Vivacity	Cllr J Goodwin Cllr M Lee	4,158	109
Cresset – Council of Management	Cllr W Fitzgerald	106	-
North Level Drainage Board	Cllr N Arculus Cllr D Harrington Mr P Hurn Mr S Sly Cllr J Holdich	261	-

Organisation	Member/ Representative	Cost to the Council £000	Balance Outstanding £000
Peterborough Association for the Blind	Cllr P Kreling	6	-
Peterborough Cathedral Trust	Cllr G Simons	5	-
Peterborough Racial Equality Council	Cllr D Fower Cllr N Khan Cllr G Nawaz Cllr N Shabbir	62	-
Peterborough Workspace	Cllr M Fletcher Cllr J Holdich Cllr J Knowles	70	-
Welland and Deeping Internal Drainage Board	Cllr J Holdich	150	-
Italian Community Assn.	Cllr B Rush M D'Andrea	24	2
St Joseph's' Day Nursery	Cllr M Cereste	249	-

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of legal services and trading standards to Rutland County Council, a shared Internal Audit service with Cambridge City Council, the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council including a joint area based broadband project. These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature.

The Council is sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the

preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, and providing access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity. However the Council remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

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

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

15 Interest in Companies

Opportunity Peterborough

The registered name of the company is Opportunity Peterborough Limited and is a wholly owned subsidiary of Peterborough City Council.

The Company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this, £357,168 in 2012/13 (£377,792 in 2011/12), along with the funding for seconded staff and specific projects, £20,992 in 2012/13 (£34,238 in 2011/12) are included within the Council's Cost of Services.

The net assets of the Company at 31 March 2013 are £196,085 (31 March 2012 £197,440), and the Company made a net deficit of £1,355 in 2012/13 (2011/12 deficit of £21,761).

The accounts can be obtained from Opportunity Peterborough, Stuart House, Ground Floor, Zone 5, St John's Street, Peterborough PE1 5DD.

Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1.

16 Amounts Reported for Resource Allocation Decisions

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

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

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

Portfolio Income & Expenditure for 2012/13	Chief Executives £000	Children's Services £000	Operations £000	Strategic Resources £000	Adult Social Care £000	2012/13 Total £000
Fees, charges & other service income	(1,232)	(22,512)	(12,904)	(24,067)	(14,875)	(75,590)
Government Grants	(3,539)	(151,182)	(3,784)	(89,740)	(4,516)	(252,761)
Total Income	(4,771)	(173,694)	(16,688)	(113,807)	(19,391)	(328,351)
Employee expenses	5,023	115,177	11,317	3,677	14,929	150,123
Other service expenses	6,720	90,483	25,908	153,894	51,514	328,519
Total Expenditure	11,743	205,660	37,225	157,571	66,443	478,642
Net Expenditure	6,972	31,966	20,537	43,764	47,052	150,291
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement						
					Net Expenditure in the Portfolio Analysis	150,291
					Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	93,131
					Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(24,298)
					Cost of Services in Comprehensive Income and Expenditure Statement	219,124

<i>Portfolio Income & Expenditure for 2011/12</i>	<i>Chief Executives £000</i>	<i>Children's Services £000</i>	<i>Operations £000</i>	<i>Strategic Resources £000</i>	<i>Adult Social Care £000</i>	<i>2011/12 Total £000</i>
<i>Fees, charges & other service income</i>	<i>(1,889)</i>	<i>(24,051)</i>	<i>(12,939)</i>	<i>(26,421)</i>	<i>(5,119)</i>	<i>(70,419)</i>
<i>Government Grants</i>	<i>(421)</i>	<i>(158,455)</i>	<i>(5,219)</i>	<i>(84,284)</i>	<i>(3,033)</i>	<i>(251,412)</i>
<i>Total Income</i>	<i>(2,310)</i>	<i>(182,506)</i>	<i>(18,158)</i>	<i>(110,705)</i>	<i>(8,152)</i>	<i>(321,831)</i>
<i>Employee expenses</i>	<i>5,597</i>	<i>121,790</i>	<i>11,459</i>	<i>9,878</i>	<i>1,709</i>	<i>150,433</i>
<i>Other service expenses</i>	<i>4,226</i>	<i>90,002</i>	<i>26,960</i>	<i>148,032</i>	<i>52,889</i>	<i>322,109</i>
<i>Total Expenditure</i>	<i>9,823</i>	<i>211,792</i>	<i>38,419</i>	<i>157,910</i>	<i>54,598</i>	<i>472,542</i>
<i>Net Expenditure</i>	<i>7,513</i>	<i>29,286</i>	<i>20,261</i>	<i>47,205</i>	<i>46,446</i>	<i>150,711</i>
<i>Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</i>						
					<i>Net Expenditure in the Portfolio Analysis</i>	<i>150,711</i>
					<i>Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis</i>	<i>16,680</i>
					<i>Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement</i>	<i>(18,769)</i>
					<i>Cost of Services in Comprehensive Income and Expenditure Statement</i>	<i>148,622</i>

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the

'(Surplus) / Deficit on the Provision of Services' line included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2012/13	Portfolio Analysis	Amounts not Reported to Mgmt ¹	Amounts not included in CIES ²	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(75,302)	6,849	4,979	8,236	(55,238)	(10,820)	(66,093)
Interest & Investment Income	(288)	-	288	-	-	(288)	(288)
Income from Council Tax	-	-	-	-	-	(64,244)	(64,244)
Government Grants & Contributions	(252,761)	-	2,789	-	(249,972)	(104,263)	(354,200)
Total Income	(328,351)	6,849	8,056	8,236	(305,210)	(179,615)	(484,825)
Employee Expenses	150,123	(6,273)	(527)	-	143,323	7,047	150,370
Other Service Expenses	322,261	(12,742)	(25,569)	-	283,950	7,343	291,293
Support Services Recharges	-	-	-	(8,236)	(8,236)	-	(8,236)
Depreciation, Amortisation & Impairment	-	105,297	-	-	105,297	-	105,297
Interest Payments	6,258	-	(6,258)	-	-	10,277	10,277
Precepts & Levies	-	-	-	-	-	985	985
Payments to Housing Capital Receipts Pool	-	-	-	-	-	6	6
Movement on Revaluation of Assets Held for Sale	-	-	-	-	-	-	-
Loss on Disposal of Non-Current Assets	-	-	-	-	-	4,812	4,812
Total Expenditure	478,642	86,282	(32,354)	(8,236)	524,334	30,470	554,804
Deficit / (Surplus) on the Provision of Services	150,291	93,131	(24,298)	-	219,124	(149,145)	69,979

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

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

<i>Reconciliation to Subjective Analysis 2011/12 – Comparative Figures Table</i>	<i>Portfolio Analysis</i>	<i>Amounts not Reported to Mgmt</i>	<i>Amounts not included in CIES</i>	<i>Allocation of Recharges</i>	<i>Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Fees, Charges & Other Service Income</i>	(70,197)	5,933	7,009	11,743	(45,512)	(11,927)	(57,439)
<i>Interest & Investment Income</i>	(222)	-	222	-	-	(262)	(262)
<i>Income from Council Tax</i>	-	-	-	-	-	(61,836)	(61,836)
<i>Government Grants & Contributions</i>	(251,412)	-	3,550	-	(247,862)	(114,403)	(362,265)
<i>Total Income</i>	(321,831)	5,933	10,781	11,743	(293,374)	(188,428)	(481,802)
<i>Employee Expenses</i>	150,433	(5,014)	(942)	-	144,477	5,427	149,904
<i>Other Service Expenses</i>	316,014	(13,600)	(22,513)	-	279,901	4,041	283,942
<i>Support Services Recharges</i>	-	5	-	(11,743)	(11,738)	-	(11,738)
<i>Depreciation, Amortisation & Impairment</i>	-	29,356	-	-	29,356	5,363	34,719
<i>Interest Payments</i>	6,095	-	(6,095)	-	-	10,271	10,271
<i>Precepts & Levies</i>	-	-	-	-	-	961	961
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	6	6
<i>Movement on Revaluation of Assets Held for Sale</i>	-	-	-	-	-	858	858
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	10,090	10,090
<i>Total Expenditure</i>	472,542	10,747	(29,550)	(11,743)	441,996	37,017	479,013
<i>Deficit / (Surplus) on the Provision of Services</i>	150,711	16,680	(18,769)	-	148,622	(151,411)	(2,789)

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

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

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

applied and / or the financial year in which this can take place.

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

• **Summary of Usable and Unusable Reserves**

<i>Restated 1 April 2011</i>	<i>Movement</i>	<i>Restated 31 March 2012</i>	Summary of Usable and Unusable Reserves	Restated 31 March 2012	Movement	31 March 2013
<i>£000</i>	<i>£000</i>	<i>£000</i>		£000	£000	£000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,749)	(100)	(6,849)	School Balances	(6,849)	554	(6,295)
(17,038)	58	(16,980)	Specific Earmarked Reserves (Note 18)	(16,980)	1,676	(15,304)
-	-	-	Capital Receipts Reserve	-	-	-
(4,964)	3,235	(1,729)	Capital Grants Unapplied Account	(1,729)	287	(1,442)
(34,751)	3,193	(31,558)	Total Usable Reserves	(31,558)	2,517	(29,041)
			Unusable Reserves			
(82,961)	(25,717)	(108,678)	Revaluation Reserve	(108,678)	(5,173)	(113,851)
(169,383)	(9,895)	(179,278)	Capital Adjustment Account	(179,278)	62,183	(117,095)
(2,971)	1,014	(1,957)	Deferred Capital Receipts	(1,957)	982	(975)
504	(7)	497	Financial Instruments Adjustment Account	497	(8)	489
145,349	41,935	187,284	Pension Fund Reserve	187,284	28,231	215,515
363	(110)	253	Collection Fund Adjustment Account	253	78	331
4,519	(221)	4,298	Accumulating Compensated Absences Adjustment Account	4,298	(354)	3,944
(104,580)	6,999	(97,581)	Total Unusable Reserves	(97,581)	85,939	(11,642)
(139,331)	10,192	(129,139)	Total Usable and Unusable Reserves	(129,139)	88,456	(40,683)

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13	Usable Reserves			Movement in Unusable Reserves
	General Fund Bal	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non current assets	(43,114)	-	-	43,114
Revaluation losses on Property Plant and Equipment	(29,087)	-	-	29,087
Movements in the fair value of Investment Properties	1,844	-	-	(1,844)
Amortisation of intangible assets	(814)	-	-	814
Capital grants and contributions	30,988	-	-	(30,988)
Revenue expenditure funded from capital under statute	(36,019)	-	-	36,019
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(4,794)	-	-	4,794
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	9,349	-	-	(9,349)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	140	-	(140)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	427	(427)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	4,081	(4,081)	-	-
Use of the reserve to finance new capital expenditure	-	5,057	-	(5,057)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(6)	6	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(982)	-	982
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	8	-	-	(8)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(13,393)	-	-	13,393
Employer's pensions contributions & direct payments to pensioners payable in the year	12,792	-	-	(12,792)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(78)	-	-	78
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments for short-term compensated absences	354	-	-	(354)
Total Adjustments	(67,749)	-	287	67,462

Adjustments between Accounting Basis and Funding Basis under Regulations 2011/12	Usable Reserves			Movement in Unusable Reserves
	General Fund Bal	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<i>Adjustments involving the Capital Adjustment Account:</i>				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non current assets	(16,900)	-	-	16,900
Revaluation losses on Property Plant and Equipment	(1,102)	-	-	1,102
Movements in the fair value of Investment Properties	(5,363)	-	-	5,363
Amortisation of intangible assets	(650)	-	-	650
Capital grants and contributions	40,293	-	-	(40,293)
Revenue expenditure funded from capital under statute	(16,607)	-	-	16,607
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(10,149)	-	-	10,149
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	9,330	-	-	(9,330)
Capital expenditure charged against the General Fund	(470)	-	-	470
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
Capital grants & contributions unapplied from the CIES	(2,173)	-	2,173	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,062	(1,062)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	5,898	(5,898)	-	-
Use of the reserve to finance new capital expenditure	-	6,906	-	(6,906)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(6)	6	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,014)	-	1,014
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	7	-	-	(7)
<i>Adjustments involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(12,078)	-	-	12,078
Employer's pensions contributions & direct payments to pensioners payable in the year	12,386	-	-	(12,386)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	110	-	-	(110)
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
Adjustments for short-term compensated absences	221	-	-	(221)
Total Adjustments	2,747	-	3,235	(5,982)

- **Revaluation Reserve**

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

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

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

2011/12 £000	Revaluation Reserve:	2012/13 £000
(82,961)	Balance at 31 st March	(108,678)
-	B/Fwd Adjustment for DRC	343
(82,961)	Adjusted B/Fwd Balance 1 st April	(108,335)
(53,185)	Upward revaluation of assets	(19,818)
23,924	Downward revaluation of assets & impairment losses not charge to the Surplus / Deficit on the Provision of services	10,665
473	Difference between fair value depreciation & historical cost depreciation	1,522
3,071	Release of revaluation gains on disposal	2,115
(108,678)	Balance at end of the Year	(113,851)

- **Capital Adjustment Account**

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for

accounting for the consumption of non current assets and for financing those assets under statutory provisions.

2011/12 £000	Capital Adjustment Account:	2012/13 £000
(169,383)	Balance at 31 st March	(179,278)
-	B/Fwd Adjustment for DRC	(343)
(169,383)	Adjusted B/Fwd Balance 1 st April	(179,621)
16,900	Charges for depreciation & Impairment	43,114
1,102	Revaluation gains / losses on Property, Plant & Equipment	29,087
5,363	Movement in market value of Investment Properties	(1,844)
650	Amortisation of Intangible Assets	814
(40,293)	Capital Grants & Contributions that have been applied to Capital Financing	(30,988)
16,607	Revenue Expenditure Funded from Capital under Statue	36,019
10,149	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	4,794
470	Capitalisation Direction	-
(9,330)	Provision for the Repayment of Debt (MRP)	(9,349)
(1,062)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(427)
(473)	Depreciation & Impairment written down to Revaluation Reserve	(1,522)
(3,071)	Transfer of Revaluation Reserve on disposal	(2,115)
(7,050)	Transfer from Useable Capital Receipts	(5,059)
143	Repayment of Loan	2
(179,278)	Balance at end of the Year	(117,095)

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment

losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

- **Deferred Capital Receipts Reserve**

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

2011/12 £000	Deferred Capital Receipts Reserve:	2012/13 £000
(2,971)	Balance at start of year	(1,957)
1,014	Transfer to the Capital Receipts Reserve upon receipt of cash	982
<u>(1,957)</u>	Balance at end of the Year	<u>(975)</u>

- **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2011/12 £000	Financial Instruments Adjustment Account:	2012/13 £000
504	Balance at start of year	497
(7)	Interest Paid on Short Term Loans	(8)
<u>497</u>	Balance at end of the Year	<u>489</u>

- **Pensions Reserve**

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

been set aside by the time the benefits come to be paid. For further information see Note 7.

2011/12 £000	Pensions Reserve:	2012/13 £000
145,349	Balance at start of year	187,284
42,243	Actuarial gains / losses on pension assets & liabilities (Note 7)	27,630
12,078	Reversal of items relating to Post Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	13,393
(12,386)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(12,792)
<u>187,284</u>	Balance at end of the Year	<u>215,515</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 63.

2011/12 £000	Collection Fund Adjustment Account:	2012/13 £000
363	Balance at start of year	253
(110)	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	78
<u>253</u>	Balance at end of the Year	<u>331</u>

- **Accumulating Compensated Absences Adjustment Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2011/12 £000	Accumulating Compensated Absences Adjustment Account:	2012/13 £000
4,519	Balance at start of year	4,298
(221)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(354)
<u>4,298</u>	Balance at end of the Year	<u>3,944</u>

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

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

General Fund Earmarked Reserves	31 March 2012	Transfers Out	Transfers In	Movement between Reserves	31 March 2013	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	4,032	(3,228)	1,881	161	2,846	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	2,980	(263)	1,094	-	3,811	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	1,832	(1,011)	133	-	954	School revenue reserves put aside for funding future school capital schemes.
Future Cities	-	-	3,000	-	3,000	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Available for Capacity Building	7,773	(7,326)	4,090	(112)	4,425	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Salix Carbon Reduction	186	(191)	54	(49)	-	To fund specific carbon reduction projects
Other	177	(86)	177	-	268	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts and Parish Burial Reserves.
Total Reserves	16,980	(12,105)	10,429	-	15,304	

19 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2012/13	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2012 Gross Book Value	308,989	44,025	173,616	5,808	559	23,835	37,569	594,401
Additions	33,060	7,713	10,694	25	-	10	21,894	73,396
Revaluation increase / (decrease) recognised in the Revaluation Reserve	11,201	-	-	-	11	-	-	11,212
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(30,426)	-	-	-	-	-	-	(30,426)
Derecognition - Disposals	(3,358)	(499)	-	-	-	-	-	(3,857)
Reclassified Assets	2,435	-	-	(1,789)	-	-	-	646
Assets Under Construction Completed In Year	23,183	684	68	39	-	1,722	(26,556)	(860)
At 31 March 2013	345,084	51,923	184,378	4,083	570	25,567	32,907	644,512
Accumulated Depreciation								
At 31 March 2012	(10,448)	(28,901)	(55,918)	(24)	-	(317)	-	(95,608)
Depreciation Charge	(6,268)	(6,114)	(8,494)	-	-	-	-	(20,876)
Depreciation written out to the Revaluation Reserve	4,052	-	-	-	-	-	-	4,052
Depreciation written out to the (Surplus) / Deficit on Provision of Services	1,339	-	-	-	-	-	-	1,339
Impairment losses / (reversals) recognised in the Revaluation Reserve	(2,992)	-	-	(3,119)	-	-	-	(6,111)
Impairment losses / (reversals) recognised in the (Surplus) / Deficit on Provision of Services	(18,681)	(10)	-	(64)	-	(1,732)	(318)	(20,805)
Derecognition - Disposals	146	469	-	-	-	-	-	615
At 31 March 2013	(32,852)	(34,556)	(64,412)	(3,207)	-	(2,049)	(318)	(137,394)
Net Book Value - At 31 March 2013	312,232	17,367	119,966	876	570	23,518	32,589	507,118
<i>Net Book Value - At 31 March 2012</i>	298,541	15,124	117,698	5,784	559	23,518	37,569	498,793

Comparative Movements in 2011/12

<i>Property, Plant & Equipment (PPE) – 2011/12</i>	<i>Other Land & Buildings</i>	<i>Vehicles, Plant & Equipment</i>	<i>Infra- structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 31 March 2011 Gross Book Value</i>	268,398	46,819	164,388	5,932	-	24,447	10,761	520,745
<i>Additions</i>	15,152	2,804	9,060	14	-	63	31,665	58,758
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	21,590	-	-	(250)	559	(449)	-	21,450
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	6,245	-	-	(243)	-	318	-	6,320
<i>Change in Classification of Impairment Losses</i>	(2,125)	(1,217)	-	-	-	-	-	(3,342)
<i>Derecognition - Disposals</i>	(2,813)	(4,381)	-	(153)	-	0	-	(7,347)
<i>Reclassified Assets</i>	(1,722)	-	-	403	-	(551)	-	(1,870)
<i>Assets Under Construction Completed In Year</i>	4,264	-	168	105	-	7	(4,857)	(313)
<i>At 31 March 2012</i>	308,989	44,025	173,616	5,808	559	23,835	37,569	594,401
<i>Accumulated Depreciation</i>								
<i>At 31st March 2011</i>	(11,155)	(27,273)	(48,042)	(31)	-	(64)	-	(86,565)
<i>Depreciation Charge</i>	(6,760)	(6,765)	(7,865)	(6)	-	(5)	-	(21,401)
<i>Depreciation written out to the Revaluation Reserve</i>	8,930	-	-	10	-	-	-	8,940
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	(257)	-	-	17	-	38	-	(202)
<i>Impairment losses/(reversals) recognised in the Revaluation Reserve</i>	(1,242)	-	-	-	-	-	-	(1,242)
<i>Impairment losses/(reversals) recognised in the (Surplus) / Deficit on Provision of Services</i>	(2,328)	(23)	(11)	(14)	-	(286)	-	(2,662)
<i>Change in Classification of Impairment Losses</i>	2,125	1,217	-	-	-	-	-	3,342
<i>Derecognition - Disposals</i>	239	3,943	-	-	-	-	-	4,182
<i>At 31 March 2012</i>	(10,448)	(28,901)	(55,918)	(24)	-	(317)	-	(95,608)
<i>Net Book Value - At 31 March 2012</i>	298,541	15,124	117,698	5,784	559	23,518	37,569	498,793
<i>Net Book Value - At 31 March 2011</i>	257,242	19,546	116,347	5,902	-	24,382	10,761	434,180

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20 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 11 on page 22.

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

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

<i>2011/12</i> £000	Investment Properties	2012/13 £000
40,012	Balance at start of year	33,826
	Additions:	
20	Transfer from Assets Under Construction	-
228	Subsequent Expenditure	582
(1,071)	Disposals	(288)
(5,363)	Revaluations (Note 10)	1,844
-	Impairments (Note 10)	(1,179)
-	To/from Property, Plant and Equipment	423
<u>33,826</u>	Balance at end of the Year	<u>35,208</u>

21 Intangible Assets

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

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

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

There is one item of capitalised software that is individually material to the financial statements:

<i>31</i> <i>March</i> <i>2012</i> £000	Intangible Assets	Remaining Amortisation Period Years	31 March 2013 £000
548	EDRM Software	2.5	511
354	Integrated Case Management System	-	-
<u>902</u>	Total		<u>511</u>

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

<i>Internally Generated Asset</i> £000	<i>Software & Other Assets</i> £000	<i>2011/12 Total</i> £000	Intangible Assets	<i>Internally Generated Asset</i> £000	<i>Software & Other Assets</i> £000	<i>2012/13 Total</i> £000
142	6,644	6,786	Balance at 1 April:	142	6,903	7,045
(87)	(4,161)	(4,248)	Gross Carrying Amounts	(105)	(4,792)	(4,897)
55	2,483	2,538	Accumulated Amortisation	37	2,111	2,148
-	457	457	Net Carrying Amount at Start of the Year	-	1,700	1,700
-	-	-	Additions	-	174	174
-	(198)	(198)	Purchases	-	-	-
(18)	(631)	(649)	Assets Under Construction Completed in Year	(13)	(801)	(814)
37	2,111	2,148	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	24	3,184	3,208
142	6,903	7,045	Amortisation for the period	142	8,778	8,920
(105)	(4,792)	(4,897)	Net Carrying Amount at the End of Year	(118)	(5,594)	(5,712)
37	2,111	2,148	Gross Carrying Amounts	24	3,184	3,208
			Accumulated Amortisation			
			Net Carrying Amount at the End of Year			

22 Assets Held for Sale

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

2011/12 £000	Assets Held for Sale - Current Assets	2012/13 £000
6,146	Balance at 1 April:	2,300
1,722	Property, Plant and Equipment Newly Classified as Assets Held Sale - Current Asset	263
(867)	Revaluation Losses	-
-	Impairment Losses	(254)
(5)	Property, Plant and Equipment Declassified as Held for Sale (Note 19)	(646)
(4,929)	Assets Sold	(1,264)
148	Transfers from Non Current to Current	-
	Other movements:	
-	Additions	36
85	Capital Costs Incurred In Preparation For Disposal	-
<u>2,300</u>	Balance Outstanding	<u>435</u>

23 Capital Commitments

As at 31 March 2013 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2012/13 and future years budgeted to cost £97.8m as approved within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract £000	Value outstanding at 31/3/13 £000
Traffic signals	113	74
Athletics track resurfacing	354	310
Lido Pool Re-tanking	382	266
Bridge Street Public Realm Improvements	2,600	1,300
Affordable Housing Works:		
Carbon Challenge Site	1,199	550
Stanground South	3,204	1,602
Windsor Avenue	230	115
Eastfield Road	450	450
Schools Works:		
All Saints School	5,000	3,529
City of Peterborough Academy	12,822	2,883
Hampton Community School	9,413	2,579
Hampton Vale School Expansion	2,579	2,275
Hampton College – Phase 2	7,692	907
Nene Park Academy	14,443	3,554
Queens Drive School Extension	1,247	962
Stanground College	22,573	5,016
Stanground South – New School	3,700	546
Thomas Deacon Academy	7,741	6,505
Other School Sites	2,066	956
Total	97,808	34,379

24 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at fair value and is revalued at least every four years. The valuations in 2012/13 were carried out by Peterborough Serco Strategic Partnership (PSSP) and Wilks Head & Eve (WHE). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
Valued at fair value as at:	£000	£000	£000	£000
31 March 2013	5,471	(6)	(292)	5,173
31 March 2012	26,914	(26)	(1,172)	25,716
31 March 2011	4,956	(73)	19,443	24,326
31 March 2010	12,871	116	919	13,906
Prior 31 March 2009	43,836	-	894	44,730
Total Valuation	94,048	11	19,792	113,851

25 Impairment Losses

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

During 2012/13 Bridge House Offices were demolished as part of the wider Riverside Opportunity Area project. As a result of this regeneration project the Council has recognised an impairment loss of £1.9m, and changed the asset classification from PPE - Other Land & Buildings to Investment Properties therefore requiring different valuation methodologies to be applied. The impairment loss has been charged to the Support Services line in the Comprehensive Income and Expenditure Statement.

The former school site of John Mansfield previously declared surplus was enhanced in 2012/13. Whilst capital expenditure of £1.1m has been spent on improving the asset it has not significantly increased the value of the building under the current valuation methodology. The Council has recognised an impairment loss of £1.1m, which has been charged to the Financing & Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement.

Within 2012/13 two new schools have commenced construction. Both of these schools will be academies from June 2014 so when the works are completed will not appear on the Councils balance sheet. Under IAS 36 - Impairment of Assets, the Council should not carry an asset above its recoverable amount. As a result of the schools being future academies the recoverable amount is nil because the remaining service benefit the Council will receive from these assets is zero as academies report to direct to Government. The council has impaired the construction costs by £11.9m and this has been charged to the Education & Children's Services line in the Comprehensive Income and Expenditure Statement.

26 Capital Expenditure and Capital Financing

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

2011/12 £000		2012/13 £000
230,611	Opening Capital Financing Requirement	250,184
-	Adjustment for previous years roundings'	4
230,611	Revised Opening Capital Financing Requirement	250,188
27,093	Property, Plant and Equipment (Note 19)	51,502
31,665	Assets Under Construction (Note 19)	21,894
228	Investment Properties (Note 20)	582
-	Assets Held for Sale (Note 22)	36
457	Intangible Assets (Note 21)	1,700
16,254	Revenue Expenditure Funded from Capital under Statute (REFCUS)	36,019
470	Capitalisation Direction	-
1,140	Loans to Third Parties	-
	Sources of Finance	
(7,050)	Capital Receipts	(5,059)
(41,354)	Capital Grants & Contributions	(31,415)
(9,330)	Sums set aside from revenue (inc.direct revenue financing and (MRP))	(9,349)
<u>250,184</u>	Closing Capital Financing Requirement	316,098
	Explanation of movements in year	
	Increase in underlying need to borrow:	
-	Supported borrowing	-
28,789	Unsupported / Prudential borrowing	72,688
114	Assets acquired under finance leases	2,571
	Decrease in underlying need to borrow:	
(9,330)	MRP	(9,349)
<u>19,573</u>	Increase in Capital Financing Requirement	65,910

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2012/13 this expenditure is £36.0m compared with £16.2m in 2011/12. This increase is shown in the following table.

A significant amount of the expenditure for 2012/13 relates to school development works. This is due to the combined pressures of increased demand for school places required in the city and the transfer of schools to academy status. Academies are the responsibility of Government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

Revenue Expenditure Funded from Capital Under Statute	Value of Expenditure £000
Disabled Facility and Assistance Grants	2,562
Nene Park Academy	10,872
Stanground College	15,156
St Michaels' Primary School	3,177
All Saints Primary School	1,567
Eye Primary School	817
Other Schools Expenditure	1,551
Other Expenditure	317
Total	36,019

2011/12 £000	Reconciliation of Grant Funding Applied to Capital Financing	2012/13 £000
32,173	Grants Received in year (Note 12)	27,391
5,946	Grants used to Fund Revenue Expenditure Funded from Capital under Statute	3,737
2,513	Adjustments made to Classification of Grant Received 2010/11	-
(340)	Grants Received in year not applied in year	(140)
1,062	Grants applied from Capital Grants Unapplied Account	427
41,354	Total Grants & Contributions applied	31,415

2011/12 £000	Body of Grant Funding Applied	2012/13 £000
41	Big Lottery Fund	-
1,478	Department for Communities & Local Government	887
-	Department for the Environment, Farming and Rural Affairs	5,213
5,455	Department for Transport	8,350
6,058	Department of Education	468
3	East of England Development Agency	-
10	English Partnerships	25
25,092	Partnership for Schools	10,073
39	The Home Office	-
803	Various	-
163,041	Total Grants Applied	25,016
1,193	Section 106 Contributions	5,325
1,182	Third Party Contributions	1,074
41,354	Total Contributions applied	6,399
41,354	Total Grants & Contributions applied	31,415

27 Private Finance Initiatives (PFI) and Similar Contracts

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

One of the schools has Foundation status and another has transferred to Academy status therefore in line with the Audit Commission guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the school recognised on the Council's Balance Sheet is £9.9m.

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2013 (excluding any estimation of inflation and availability / performance deductions) are as follows:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
Payable:				
In 2013/14	1,457	2,981	3,444	7,882
Within two to five years	5,242	10,532	16,560	32,334
Within six to ten years	4,717	9,851	27,822	42,390
Within 11 to 15 years	6,632	8,201	30,019	44,852
Within 16 to 20 years	10,106	6,401	31,125	47,632
Within 21 to 25 years	10,321	1,390	32,797	44,508
Total	38,475	39,356	141,767	219,598

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability to the contractor for capital expenditure incurred is as follows:

31 March 2012		31 March 2013
£000		£000
(41,385)	Balance brought forward	(39,943)
1,442	Lease liability redemption in the year	1,468
(39,943)	Value of Total Liability carried forward	(38,475)
(1,468)	Short Term Liability	(1,457)
(38,475)	Long Term Liability	(37,018)
(39,943)	Value of Total Liability carried forward	(38,475)

28 Council Leasing Arrangements

Council as Lessee - Finance Leases

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

31 March 2012		31 March 2013	
£000	Council as Lessee - Finance Leases	£000	
2,833	Other Land & Buildings	2,833	
1,379	Vehicles, Plant Furniture & Equipment	2,983	
4,212	Total	5,816	

Two land leases held on 999 year leases, two school leases for 125 years and a retail property held on a 99 year lease are at peppercorn rent, whilst the two industrial site units are carried on the Council's Balance Sheet as Investment Properties at the net book values shown above.

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

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

31 March 2012		31 March 2013	
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000	
799	Current	608	
2,893	Non-current	4,702	
21,105	Finance costs payable in future years*	20,924	
24,797	Minimum lease payments	26,234	

* Non-Peppercorn leases range from five to ninety three years

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

31 March 2012			31 March 2013	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
1,274	799	Not later than one year	1,026	608
1,591	371	Later than one year & not later than five years	2,883	1,532
21,932	2,522	Later than five years *	22,325	3,170
24,797	3,692	Total	26,234	5,310

* Non-Peppercorn leases range from five to ninety three years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2013 the minimum payments expected to be received under these sub-leases was £293k (£305k in 2011/12). The majority of the vehicles held under finance leases were used within City Services. When this department was transferred to Enterprise Peterborough the leases were retained and the vehicles sub-leased to Enterprise Peterborough. In order to achieve Best Value from the charges made by Enterprise Peterborough to the Council these sub-leases are at zero cost, offset by a reduction in the overall contract sum paid.

Council as Lessee - Operating Leases

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

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

31 March 2012		31 March 2013	
£000	Council as Lessee - Operating Leases	£000	
847	Not later than one year	811	
2,948	Later than one year & not later than five years	2,792	
795	Later than five years	775	
4,590	Total	4,378	

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

31 March 2012		31 March 2013	
£000	Council as Lessee - Operating Leases	£000	
870	Minimum lease payments	1,045	
-	Contingent rents	-	
(99)	Sublease payment receivable	(174)	
771	Total	871	

Council as Lessor - Finance Leases

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

Council as Lessor – Operating Leases

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

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

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

31 March 2012		31 March 2013	
£000	Council as Lessor - Operating Leases	£000	
3,140	Not later than one year	2,904	
10,294	Later than one year & not later than five years	10,159	
39,527	Later than five years*	36,277	
52,961	Total	49,340	

* Above operating leases range from five to 114 years

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

29 Financial Instruments

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

2011/12 £000		2012/13 £000
	Financial Assets	
222	Interest income	257
40	Impairment adjustment (Note 30)	31
262	Total for Financial Assets (Note 10)	288
	Financial Liabilities	
(3,522)	Interest payable relating to PFI	(3,470)
(6,749)	Interest payable on borrowings	(6,807)
(10,271)	Total for Financial Liabilities (Note 10)	(10,277)
(10,009)	Net loss for the year	(9,989)

The Debtors figure includes a long term debtor for the Local Authority Mortgage Scheme (LAMS). In December 2011 the Council advanced £1m to Lloyds Banking Group as part of this scheme. LAMS is aimed at first time buyers and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2013 the total commitment against the £1m indemnity is £942,628.

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

Financial Instruments Balances	31 March	Long Term	Current
		£000	£000
Investments - Loans & Receivables	2013	143	141
	2012	158	438
	2011	457	449
Debtors - Loans & Receivables	2013	2,332	11,221
	2012	2,353	12,681
	2011	2,334	24,842
Borrowings - Financial Liabilities at Amortised Cost	2013	(153,387)	(57,327)
	2012	(115,387)	(29,213)
	2011	(115,387)	(20,883)
Other Long Term Liabilities - PFI & Finance Lease Liabilities	2013	(41,872)	-
	2012	(41,518)	-
	2011	(43,668)	-
Creditors - Financial Liabilities at Amortised Cost	2013	(738)	(16,798)
	2012	(1,927)	(12,526)
	2011	-	(8,385)

30 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 2013 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:

Fair Value of Assets and Liabilities Carried at Amortised Cost	31 March	Carrying Amount £000	Fair Value £000
Loans & Receivables	2013 2012	11,505 13,277	11,505 13,277
Long Term Debtors	2013 2012	2,332 2,353	2,332 2,353
Financial Liabilities	2013 2012	(227,512) (157,126)	(240,906) (161,185)
Long Term Creditors	2013 2012	(42,610) (43,445)	(42,610) (43,445)
The Fair Value of the financial liabilities in 2012/13 is higher 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.			

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31 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

The 2012/13 Annual Investment Strategy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider and other Local Authorities.

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of “A”, with £100 million of the total amount 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 banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Services Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Sector Treasury Services Limited.

The 2013/14 Annual Investment Strategy reflects the rapidly changing economic climate and the changes in the credit

ratings of the financial institutions. The Strategy therefore includes a revision of the credit criteria stated above.

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.

The following 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 2013		10,500
Historical Experience of Default %		-
Historical Experience Adjusted for Market Conditions as at 31 March 2013		-
Estimated Max Exposure to Default & Uncollectability Total		-
Estimated Max Exposure at 31 March 2013		-

Prior to 2008/09 and the experience in relation to the investments in banks with Icelandic parents, the Council had no experience of default. The following table shows the original invested amount, and current carrying value following impairment adjustments required from improved recovery rates.

The impairment has been revised in 2012/13 to reflect the improved recovery rates now expected, which is 86p to 90p in the £ for Heritable Bank (86p to 90p, 2011/12) and 84p to 86.5p in the £ for Kaupthing Singer & Friedlander, (81p to 86p, 2011/12).

Bank	Heritable Bank	Kaupthing Singer & Friedlander Limited	Total
	£000	£000	£000
Date Invested	02/04/07	03/04/07	
Interest Rate	6.07%	5.90%	
Principal Amount Invested	1,000	2,000	3,000
Interest Accrued 2008/09	61	117	178
Carrying Amount	1,061	2,117	3,178
Impairment 2008/09	(326)	(1,190)	(1,516)
Impairment 2009/10	61	310	371
Impairment 2010/11	-	325	325
Impairment 2011/12	25	15	40
Impairment 2012/13	(5)	36	31
Total Impairment to Date	(245)	(504)	(749)
Recoverable Amount	816	1,613	2,429
Principal Default *	2.30%	4.61%	

* *Principal Default – amount of defaulted loan as expressed as a % of the Council's average cash balance over the last six years*

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 £10m debtors balance can be analysed by age as follows:

2011/12		2012/13
£000	Age of Trade Debt	£000
5,154	Less than three months	5,409
718	Three to six months	1,006
872	Six months to one year	885
2,667	More than one year	3,168
9,411	Total	10,468

Liquidity risk

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

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

outflows. Cash surpluses are typically deposited to dates when cash shortages are expected to occur.

The maturity analysis of financial liabilities is as follows:

2011/12 £000	Maturity analysis of financial liabilities	2012/13 £000
(41,739)	Less than one year	(74,125)
(2,608)	Between one and two years	(12,448)
(6,406)	Between two and five years	(13,410)
(149,820)	More than five years	(170,139)
<u>(200,573)</u>	Total	<u>(270,122)</u>

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

Market risk

Interest rate risk

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

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

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

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

- the borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty
- depending upon economic conditions the Council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high
- variable interest rate borrowings should not exceed 25% of total gross borrowing
- during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden
- the risk of increasing interest outlay is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provides compensation for a proportion of any higher costs

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

According to this assessment strategy, at 31 March 2013, 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 £25.1m but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

The Council has a £1 share in its' subsidiary company, Blue Sky Peterborough Limited. The Council is not exposed to price risk through this holding.

Foreign Exchange Risk

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

32 Inventories

31 March 2011 £000	31 March 2012 £000	Inventories	31 March 2013 £000
187	-	City Services Stores	-
185	203	Westcombe Industries Stock	230
112	182	Other Stock Balances	111
484	385	Total	341

Landfill Allowance Trading Scheme

The balance of stock was not deemed to have a value as at 31 March 2013 (also nil value in 2011/12).

33 Debtors

31 March 2011 £000	31 March 2012 £000	Debtors (Each item is net of impairment)	31 March 2013 £000
13,546	13,134	Central Government Departments	16,361
7,709	1,331	NNDR reimbursement from pool	2,409
502	440	Cambridgeshire County Council	842
178	356	National Heritage (Lottery)	-
2,004	2,237	Cross Keys Homes	1,474
-	4,005	Peterborough Primary Care Trust	174
4,738	5,440	Council Tax Arrears	5,499
2,466	4,348	Payments in Advance	1,189
17,451	16,105	General Debtors	18,079
48,594	47,396		46,027
		Outstanding Balances on Loans	
42	35	Loans to Employees (Car Purchase)	28
48,636	47,431	Total Debtors	46,055

34 Current Intangible Assets

31 March 2011 £000	31 March 2012 £000	Current Intangible Assets	31 March 2013 £000
-	-	Carbon Reduction Allowances	5
-	-	Total	5

35 Creditors

31 March 2011 £000	31 March 2012 £000	Creditors	31 March 2013 £000
(415)	(2)	Central Government Departments	-
-	(12,189)	Peterborough Primary Care Trust	-
(460)	(564)	Council Tax Overpaid	(539)
(1,104)	(711)	NNDR Overpaid	(465)
(7,198)	(2,494)	Deposits / Receipts in Advance	(2,789)
(4,519)	(4,298)	Accrual Accumulated Absences	(3,944)
(43,824)	(45,236)	General Creditors	(59,397)
(57,520)	(65,494)	Total Creditors	(67,134)

36 Capital Grants Receipts in Advance

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

31 March 2011 £000	31 March 2012 £000	Capital Grants Receipts in Advance	31 March 2013 £000
(14,589)	(4,962)	Department of Education	(4,405)
(31)	-	Other Grants Received in Advance	-
(219)	(470)	Homes and Communities Agency	(418)
(126)	(39)	Other Third Party Contributions	(6)
(2,762)	(3,315)	Partnership for Schools	(776)
(7,882)	(8,134)	Section 106 Contributions	(10,015)
(25,609)	(16,920)	Total	(15,620)
-	(500)	HCA - South Bank Redevelopment	-
(25,609)	(17,420)	Total Capital Grants Receipts in	(15,620)

37 Provisions

1 April 2011	Provision Description	31 March 2012	Additional Provision	Payment from Provision	Released back to CIES	31 March 2013
£000		£000	£000	£000	£000	£000
	Short Term Provisions					
(276)	<u>Insurance Claims</u> – This represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain. This provision is split into short and long term	(402)	(934)	92	79	(1,165)
-	<u>Payroll</u> - Redundancy related payments, regarding decisions made in 2012/13 but which will be paid in 2013/14	(559)	(883)	559	-	(883)
(332)	<u>Charges from suppliers which are uncertain or in dispute</u> - These represent a charges from suppliers that are of an uncertain amount	(153)	-	84	-	(69)
(854)	<u>Legal/Grant Penalty Payment</u> - Under the terms of a Grant that has been received in full, there is a possibility that the Council may have to repay a proportion under penalty clauses. The additional provision is for a potential fine against the council and for legal claims which are dependant on the result of a government or court decision	(348)	(27)	93	15	(267)
(30)	<u>Children’s Services</u> – Costs dependant on the results of an investigation	(29)	-	-	29	-
-	<u>Land Charges Litigation</u> – Following the Information Commission Ruling, personal search agencies are now able to reclaim the amounts paid for additional information on the land charges register	(475)	-	41	275	(159)
-	<u>Carbon Reduction Commitment Scheme (CRC)</u> – The obligation of the Council for the purchase of CRC allowances for 2012/13	(260)	(267)	235	25	(267)
-	<u>HMRC – SIPS and Panel Advisors</u> – HMRC ruled that School Improvement Partners and Panel Advisors were Office Holders of the Council, and so any tax and national insurance is due on any payments made	(16)	-	16	-	-
(1,492)	Total Short Term Provisions	(2,242)	(2,111)	1,120	423	(2,810)

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1 April 2011	Provision Description	31 March 2012	Additional Provision	Payment from Provision	Released back to CIES	31 March 2013
£000		£000	£000	£000	£000	£000
	Long Term Provisions					
(68)	<u>Social Care Repayment</u> - Following a House of Lords Judgement, services provided under Section 117 of the Mental Health Act were adjudged to be free. The provision represents the liability due to be repaid	(68)	-	-	-	(68)
(1,507)	<u>Insurance Claims</u> – see above comments	(1,410)	(8)	446	386	(586)
(36)	<u>Appointee Provision</u> – Client money held on account to be repaid	-	-	-	-	-
(1,611)	Total Long Term Provisions	(1,478)	(8)	446	386	(654)
(3,103)	Total Short and Long Term Provisions	(3,720)	(2,119)	1,566	809	(3,464)

38 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000	2012/13 £000
(299) Interest Received	(349)
10,315 Interest Paid	10,206

39 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011/12 £000	2012/13 £000
58,144	70,203
-	-
17,600	34,395
(6,094)	(6,365)
(349)	(343)
-	-
69,301	97,890

40 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2011/12 £000		2011/12 £000
(10,000)	Cash Receipts of Short & Long Term Borrowing	(66,000)
-	Other receipts from Financing Activities	-
2,544	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	2,267
1,619	Repayments of Short- & Long-Term Borrowing	-
5,934	Other Payments for Financing Activities	7,111
97	Net cash flows from financing activities	(56,622)

41 Cash Flow Statement – Cash and Cash Equivalents

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

2010/11 £000	2011/12 £000		2012/13 £000
18,272	3,500	Short Term Cash Investments	10,500
79	65	Petty Cash & Imprest	75
(2,717)	(295)	Bank Current Accounts	(9,821)
15,634	3,270	Total Cash & Cash Equivalents	754

42 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 2013 was £92,971 (£92,508 at 31 March 2012). 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 £16,836 (£14,878 at 31 March 2012) all invested internally.

The Council administered a Trust Fund to support services users and their families with HIV/AIDS. In the main the Trust Fund was used to fund items such as courses, therapies and support sessions that were not provided through the main HIV/AIDS budget. Due to a change in the way the Council delivers HIV/AIDS services the fund was closed at the end of 2012/13 and the value of the fund is now zero (£11,141 at 31 March 2012).

The Council also has the role of Appointee for Clients' monies where it is responsible for managing the financial affairs of 167 adults and older people (152 at 31 March 2012). The total Client funds at 31 March 2013 was £1,115k (£967k at 31 March 2012).

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

These Trust Funds are not included in the Council's balance sheet.

43 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.
- 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.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Housing) raised finance to carry out development in a number of local authority areas. The

Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m.

- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present

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

The adoption of amendments to IAS 19 Employee Benefits by the Code will result in a change of accounting policy. This amendment will come into effect from 1 April 2013, and will amend the definition of the components of defined benefit costs. For current presentation see Note 7, page 16. The impact of this change is to increase the income statement by £2.2m.

45 Critical Judgement in Applying Accounting Policies

In applying the accounting policies, set out from page 65, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There remains uncertainty on future levels for funding for local government. The local government settlement was announced in December 2012 for 2013/14 and provisionally for 2014/15 financial years. The Council has produced a ten year Medium Term Financial Strategy (MTFS), approved in early March 2013, which anticipates future funding reductions and the actions which will be taken in order to achieve a balanced budget. However, the impact of future funding announcements, of both the 'Budget 2013' of late March which announced additional funding cuts for 2014/15 and the 'Spending Review' due in June 2013, means that there remains financial uncertainty of local government funding arrangements from 2014/15 onwards. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies.
- During 2010/11 the coalition government invited all schools in England to become Academies and encouraged parents to set up their own schools, called free schools. Some schools within the Peterborough area already have Academy status, two transferred status during 2012/13, and some are expected to convert in future years. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet and no longer consolidates the income and

expenditure of that school into the Comprehensive Income and Expenditure Statement.

- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 20, page 39.
- The Council has three arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons:
 - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.
 - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14 Related Party Transactions.

- Blue Sky Peterborough (BSP) – during the 2011/12 financial year the Council established an Energy Services Company (ESCo), BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As BSP is still in its infancy for 2012/13, the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.

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

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £454k for every year that useful life is reduced, which equates to a 2.17% increase in this years depreciation charge.</p>
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	<p>If an asset is impaired the carrying value of the asset is reduced.</p> <p>It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £712k, which is 0.13% of the Council's total asset base.</p> <p>13% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.	<p>The effects on net pensions liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> • a 0.5% decrease in discount rate assumption would result in a increase in pension liability of 10% or £56m • a 1 year increase in member life expectancy would result in a increase in pension liability of 3% or £16m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 2% or £13m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 8% or £42m
Arrears	At 31 March 2013 the Council had a balance of £9.8m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 23% or £2.3m was appropriate.	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same debt profile, and additional contribution of £225k would be set aside as an allowance.</p> <p>If 10% of the debt portfolio was one year older, a contribution of £106k would be set aside as additional allowance.</p>

47 Authorisation of the Accounts

The Executive Director Strategic Resources authorises these accounts to be issued on 24 June 2013.

48 Prior Period Adjustment

For 2012/13 the Council has changed its accounting policy with regards to the inclusion of borrowing costs as part of the valuation calculation required under the depreciated replacement cost (DRC) approach. Where the Council uses DRC as a basis for valuations eg the theatre, libraries and schools, the 'instant build' approach is now applied instead. This means that finance costs are excluded from the valuation of such assets.

The following table shows the difference between the amounts presented in 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements.

Prior Period Adjustment	2011/12 Statements £000	Valuation Policy Change £000	Trading Account Movt. £000	2011/12 Restated £000
Comprehensive Income & Expenditure Statement				
Cultural & Related Services	10,949	563	-	11,512
Education & Children's Services	45,143	205	-	45,348
Environmental & Regulatory Services	9,566	8	-	9,574
Other Operating Expenditure	4,914	57	1,102	6,073
Financing & Investment Income & Expenditure	19,857	-	(1,102)	18,755
Surplus on Revaluation of Non-Current Assets	(26,748)	(2,514)	-	(29,262)
Total Comprehensive Income & Expenditure	11,873	(1,681)	-	10,192
Balance Sheet				
Long Term Assets	561,031	(23,753)	-	537,278
Current Assets	53,824	-	-	53,824
Current Liabilities	(96,949)	-	-	(96,949)
Long Term Liabilities	(365,014)	-	-	(365,014)
Net Assets	152,892	(23,753)	-	129,139
Usable Reserves	(31,558)	-	-	(31,558)
Unusable Reserves	(121,334)	23,753	-	(97,581)
Total Reserves	(152,892)	23,753	-	(129,139)

The Collection Fund and Notes

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

2011/12		Collection Fund		Notes	2012/13	
£000	£000				£000	£000
		Income				
(62,881)		Council Tax (net)		1	(65,154)	
(12,593)		Transfer from General Fund - Council Tax benefits			(13,296)	
(85,807)		Business Ratepayers (NNDR)		2	(89,459)	
	<u>(161,281)</u>	Total Income				(167,909)
		Expenditure				
9,490		Cambridgeshire Police Council Precept		3	9,886	
3,239		Cambridgeshire Fire Council Precept		3	3,360	
61,726		Demand by Peterborough City Council		3	64,322	
	<u>74,455</u>	Total Precepts				77,568
84,756		Payment to NNDR National Pool			87,665	
271		NNDR cost of collection allowance			277	
	<u>85,027</u>	Total Business Rates				87,942
1,665		Change in provision		4	2,493	
	<u>1,665</u>	Total Bad and Doubtful Debts				2,493
		Contribution to previous year's estimated surplus:				
-		Cambridgeshire Police Authority			-	
-		Cambridgeshire and Peterborough Fire Authority			-	
-		Peterborough City Council			-	
	<u>-</u>	Total Surplus Distributed				-
	<u>161,147</u>	Total Expenditure				168,003
	<u>(134)</u>	Deficit / (Surplus) for the year				94

1 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	33,712	22,475
B	7/9	18,628	14,488
C	8/9	12,575	11,178
D	9/9	7,030	7,030
E	11/9	4,109	5,022
F	13/9	1,768	2,554
G	15/9	852	1,420
H	18/9	67	134
Total		78,741	64,301

The Band D Equivalent shown above is calculated by applying the relevant factor but is before statutory discounts, exemptions, etc., and any allowance for non-payment which is at the discretion of each Council. The tax base used for Council Tax setting purposes after taking account of these factors was 56,651 (55,971 in 2011/12).

With the introduction Council Tax Support in 2013/14 the Grant for Council Tax Support will be paid directly to General Fund rather than being received and transferred to Collection Fund as occurred with the Council Tax Benefit Grant received in 2012/13. The effect of this change will be to decrease the Council Tax Base to 50,158 in 2013/14.

2 National Non-Domestic Rates

As at 31 March 2013 the total national non-domestic rateable value against the 2010 list was £230,369,010

(£230,176,210 at 31 March 2012) linked to 5,589 properties with the national multiplier set at 45.8p.

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.

2011/12	Preceptor	Precept / Demand	Share of Deficit at 31 March	2012/13 Total
£000		£000	£000	£000
61,836	Peterborough City Council	64,322	(78)	64,244
9,508	Cambridgeshire Police	9,886	(12)	9,874
3,245	Cambridgeshire Fire	3,360	(4)	3,356
74,589		77,568	(94)	77,474

4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.8m as at 31 March 2013 against arrears of £8.7m. At 31 March 2012 the provision stood at £2.3m against arrears of £8.2m.

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end 31st March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or

service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until April 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as

energy is used), a liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents

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

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

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

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

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

comparative amounts for the prior period as if the new policy had always been applied.

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves

Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary)
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pension liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve
- contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to

reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to

the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory

provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Available-for-Sale Assets

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

and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as

creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant, and Equipment. However the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. And as heritage assets held have indeterminate lives and a high residual value; the Council does not consider it appropriate to charge depreciation for the assets.

Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital

Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

Operating Leases

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

Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principals of the CIPFA *Service Reporting Code of Practice 2012/13 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principals as for a finance lease)

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Landfill Allowance Schemes

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Some expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the Council. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax (VAT)

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

Glossary

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

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

Amortisation – The reduction in the useful economic life of a long term intangible asset, whether arising from time or obsolescence through technological or other changes.

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

Council – A shortened name for ‘Local Council’ – see below.

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

Balances – The non-earmarked reserves of a local Council, which are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance for all the other services provided by the Council. Adequate revenue

balances are needed to meet unexpected expenditure or a shortfall of income. A local Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at

the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supported Borrowing – The amount of borrowing assumed by Government in the calculation of their grant payment.

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

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

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

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

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PETERBOROUGH



CITY COUNCIL

Annual Governance

Statement – 2012/13



Annual Governance Statement

The Annual Governance Statement is being discussed and approved by this Audit Committee on 24 June 2012. The Statement will be included in the final published Statement of Accounts in September 2013.

Certification

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

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an

adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor Marco Cereste, Leader of the Council

Date:

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