

PETERBOROUGH



CITY COUNCIL

# Statement of Accounts

## 2014/15



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

Service Director Financial Services

Peterborough City Council

Town Hall

Bridge Street

Peterborough

PE1 1HG

email: [FinanceManagementTeam@peterborough.gov.uk](mailto:FinanceManagementTeam@peterborough.gov.uk)

Tel: 01733 384562

[www.peterborough.gov.uk](http://www.peterborough.gov.uk)

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# Peterborough City Council

## Statement of Accounts 2014/15

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# Explanatory Foreword

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## 1 The Council's Vision and Strategic Priorities

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

The Council's core priorities within the Medium Term Financial Strategy (MTFS) to deliver this vision are:

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

## 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 2014/15 (the Code).

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2014/15. 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 2015
- *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 2014/15

- *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 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 2014/15 compared with 2013/14 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, Note 15 page 29, demonstrates the presentational differences between these reporting requirements.

The Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. 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 reflects Council's organisation following the first phase of the Senior Management Restructure, see point 7 for further details on the restructures. It compares the revenue budget to the actual net expenditure. Figures in brackets indicate a favourable variance.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Adult Social Care Health & Wellbeing	41,158	41,883	725
Chief Executive's	444	471	27
Children Services	14,044	16,021	1,977
Communities	40,836	42,362	1,526
Governance	5,962	6,006	44
Growth & Regeneration	15,075	13,624	(1,451)
Resources	40,071	37,792	(2,279)
Use of Capacity Reserve	2,703	-	(2,703)
<b>Total Council Expenditure</b>	<b>160,293</b>	<b>158,159</b>	<b>(2,134)</b>
Transfer to Capacity Reserve			2,134
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
<b>General Fund Balance Carried Forward</b>			<b>6,000</b>

Overall the Council achieved a balanced budget position, using only £0.6m of reserves rather than the budgeted amount of £2.7m. This was a result of underspends in capital financing due to delays in completion of capital projects, income from the VAT Shelter arrangement with Cross Key Homes and management action to achieve savings from service delivery. This underspend is incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement on page 10. The outturn report which is presented to both Cabinet, 15 June 2015, and Audit Committee, 29 June 2015, provides further information on this position.

### Balances

At 31 March 2015, 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 2015, compared to £7.1m at 31 March 2014. These figures now include 'private funds' held by schools, see point 6 for further information on inclusion of 'private funds'.

## 4 Capital Expenditure

The main elements of capital expenditure, compared with the revised December 2014 budget after slippage, are shown below.

Capital Expenditure	Budget 01/04/2014 £000	Revised Budget £000	Actual Expenditure £000
Adult Social Care	3,860	1,195	975
Chief Executives	671	231	65
Communities	3,954	3,438	2,398
Governance	69	69	20
Growth & Regeneration	46,496	36,958	26,164
Invest to Save	95,274	41,292	4,319
Resources	75,080	65,987	52,963
Resources - Children's	33,369	22,990	21,889
Resources - Renewable Energy	26,200	26,200	62
<b>Total</b>	<b>284,973</b>	<b>198,360</b>	<b>108,855</b>
<b>Financed by:</b>			
External Sources	37,081	35,286	35,561
Capital Receipts	9,764	9,100	2,905
Borrowing	238,128	153,974	70,389
<b>Total</b>	<b>284,973</b>	<b>198,360</b>	<b>108,855</b>

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

## 5 External Borrowings and Investments

The Capital and Treasury Management Strategies, approved as part of the Councils MTFS in March 2014, detail the framework within which the Council's capital investment plans are to be delivered. The reduction in government grants available in recent years has influenced the size of the capital programme and has meant that prudential borrowing becoming the main source of financing for capital projects, as can be seen in the previous table. The table below shows that at 31 March 2015 the Council had net borrowings including cash and outstanding interest of £299.8m (£247.2m in 2013/14). Further information on capital financing can be found in Note 25.

2013/14 £m		2014/15 £m
63.6	Short Term Borrowing	37.5
192.5	Long Term Borrowing	271.3
(8.9)	Investments	(9.0)
<b>247.2</b>	<b>Net Borrowing</b>	<b>299.8</b>

## 6 Changes in Accounting Policies

The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions and consolidation issues relating to schools. This has resulted in the Council amending its accounting policies in relation to Foundation Schools such that property, plant and equipment of such schools are now included in the Council's balance sheet. See Note 45 for further information.

This clarification has also enabled the Council to review its treatment of 'private funds' held by schools against the accounting definition of 'control'. The review identified some

funds where control does reside with the school, and therefore these funds have been consolidated into Council's accounts.

## **7 Changes to Service Delivery and Future Developments**

On 2 March 2015, phase two of the corporate management restructure was implemented. This second phase complements the first, implemented in November 2013, in the move to the Council becoming a commissioning organisation. Alongside this the Council is initiating a 'Customer Experience' programme which will redefine the way customers interact with the Council using various digital means. The aim is to optimise processes and deliver Council services in more responsive ways which in turn will contribute towards becoming a commissioning organisation. Note 15 shows how the amounts reported to management are reflected in the Comprehensive Income and Expenditure Statement (CIES).

In February 2013 the Council entered into a contract with Virridor to build an 'energy from waste' facility. The facility is being built close to the power station in Fengate, and has been designed to meet the city's needs for the next 30 years. The facility will use heat to turn any waste that cannot be recycled, into ash and will save over 10,000 tonnes of CO<sub>2</sub> every year compared to sending the city's waste to landfill. As well as being used to dispose of waste, it will generate power that can be sold. It is expected that this facility will be fully operational in December 2015.

In February 2014 Cabinet and Council approved the establishment of a joint venture company with an Investment Fund as part of delivering Peterborough's Growth Agenda. In December 2014 the establishment of a Joint Venture (JV) Limited Liability Partnership with Lucent Peterborough

Partnership SARL was agreed. The purpose of the joint venture company will be to establish a pipeline of regeneration projects and create special purpose vehicles to prepare viable and consented development schemes for a series of sites around the city.

The Care Act 2014 introduces responsibilities on local authorities which include additional duties in respect of self-funders and carers, people in prisons and other areas, and come into force from April 2015. Government grants have been provided for these changes, however further analysis is required to determine the full cost of this change and whether the grant received is sufficient to meet demand. Further responsibilities relating to a cap on residential care placement payments, care accounts and other changes come in to effect from April 2016.

Children's public health commissioning responsibilities for 0-5 year olds will transfer from NHS England to local authorities on 1 October 2015. This transfer will join up that already done by local authorities for children and young people aged 5-19. Commissioning responsibilities to be transferred include the Health Visiting service incorporating universal to targeted programmes and the Family Nurse Partnership.

## **8 Pensions**

The main statements include entries to show the financial position of the Council's share of the Cambridgeshire Local Government Pension Fund. Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has increased during 2014/15, from £224.3m in 2013/14 to £279.0m, an increase of £54.7m. The deficit has risen despite the measures introduced by Central Government to reduce pressures by increasing the retirement age and



employee contributions. The increase in liability is a result of changes in market conditions, where liabilities have increased due to falling real bond yields which have partially been offset by strong asset returns.

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. Contribution rates relating to the schools element have increased to 19.6% as there has been no cash lump sum paid to the Fund. This approach helps maintain pension contributions as payrolls decline. These contributions were provided for in the Council's MTFS. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. Further details can be found in Note 7, page 17.

## 9 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 0 and 14, and also on the Council's website in the Register of Interests for each Councillor.

## 10 External Auditors

The 2014/15 Statement of Accounts is the final year that PricewaterhouseCoopers LLP are the Council's appointed auditors. In December 2014 the Audit Commission wrote to the Council to confirm that EY LLP will audit the Council's accounts

for two years from 2015/16. The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated that it will make a decision in the summer of 2015 about whether to extend the contracts from 2017 to 2020. 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 2014/15 in the March 2015 MTFS. The budget supported the Council's key priorities and included £19m of savings as a result of a combination of £9m reduction in funding and £10m pressure through an increased demand for services.

Throughout the year the Corporate Management Team and Cabinet regularly challenged the financial position with reports taken to Cabinet meetings held between September 2014 and March 2015. This ensured that pressures and risks were managed and could be factored in to the development of budget proposals for 2015/16 and future financial years. The first phase of proposals were consulted on during November and December 2014, further proposals were consulted on during January and February 2015. Financial plans were also considered by a cross-party budget working group.

The Council's earmarked reserves have improved in the year but the majority of these balances will be required during 2015/16 and have resulted from timing issues between financial years reflecting when commitments are likely to occur.



The Council has successfully managed the financial challenges during 2014/15 by being proactive in balancing the demands of local circumstances with the financial constraints of the national economic climate. This action has resulted in a balanced budget position and contribution to reserves to meet future year's challenges. Challenges include the Council's budget for 2015/16 which requires spending reductions of £25.1m with a further £10.1m of savings to be identified to address the budget gap in 2016/17. The Council is also mindful of the Chancellor's additional budget due on the 8 July 2015, which is likely to have a further impact on the Council's funding as the new government implements commitments outlined in its election campaign.

The Council remains committed to its strategy of delivering service efficiencies and improvements using a proactive approach to managing Council finances and through the continued delivery of a longer term financial plan covering a rolling ten year cycle.

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  
Corporate Director: Resources

# Independent Auditor's Report to the Members of Peterborough City Council

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This page will be updated with the audit report following completion of the external audit – September 2015

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Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Julian Rickett (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Norwich

# Statement of Responsibilities

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director: 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 2015 was approved at the meeting of the Audit Committee on 21 September 2015.

Signed on behalf of Peterborough City Council:

Chairman of meeting  
approving the accounts:

*Note – not to be signed until  
September 2015*

(Andy Coles)

Date:

September 2015

## The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 9 to 85 present a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Corporate Director:  
Resources:

Date:

John Harrison

June 2015

## 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 2013/14*</i>						<b>2014/15</b>	
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>	<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	<b>Notes (From Page 13)</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>			<b>£000</b>	<b>£000</b>	<b>£000</b>
1,262	(569)	693	Central Services to the Public		1,702	(732)	970
419	-	419	Court Services		442	-	442
12,305	(1,557)	10,748	Cultural & Related Services		10,691	(2,157)	8,534
253,448	(183,000)	70,448	Education & Children's Services	1, 6	229,875	(165,236)	64,639
17,948	(5,879)	12,069	Environmental & Regulatory Services		18,804	(6,596)	12,208
25,614	(6,940)	18,674	Highways & Transport Services		24,811	(5,975)	18,836
84,280	(77,390)	6,890	Other Housing Services		85,190	(78,382)	6,808
10,683	(4,024)	6,659	Planning Services		10,121	(4,437)	5,684
66,627	(16,631)	49,996	Adult Social Care	2, 6	66,698	(16,390)	50,308
8,536	(8,512)	24	Public Health		8,990	(9,466)	( 476)
3,259	(1,211)	2,048	Corporate & Democratic Core	3, 4	1,716	(59)	1,657
-	(121)	( 121)	Non Distributed Costs		-	(6,627)	(6,627)
<b>484,381</b>	<b>(305,834)</b>	<b>178,547</b>	<b>Cost of Services</b>	15	<b>459,040</b>	<b>(296,057)</b>	<b>162,983</b>
4,998	(2,731)	2,267	Other Operating Income & Expenditure	9	2,943	(2,916)	27
38,692	(4,867)	33,825	Financing & Investment Income & Expenditure	10,11	59,229	(6,585)	52,644
6,574	(176,342)	(169,768)	Taxation & Non-Specific Grant Income & Expenditure	12	6,792	(186,804)	(180,012)
<b>534,645</b>	<b>(489,774)</b>	<b>44,871</b>	<b>(Surplus) / Deficit on Provision of Services</b>	15	<b>528,004</b>	<b>(492,362)</b>	<b>35,642</b>
		(13,843)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(19,343)
		(2,740)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			51,438
		<b>(16,583)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>32,095</b>
		<b>28,288</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>67,737</b>

\* The restatement has occurred due to prior period adjustments, please see Note 45

## 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 more detailed movements, see Note 16.

<b>Restated Movement in Reserves during 2013/14 and 2014/15</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Schools' Balances</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
<i>The restatement has occurred due to prior period adjustments, please see Note 45</i>		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	16	6,000	6,758	15,304	-	1,442	29,504	16,709	46,213
Deficit / (Surplus) on Provision of Services		(45,232)	361	-	-	-	(44,871)	-	(44,871)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	16,583	16,583
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(45,232)</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,871)</b>	<b>16,583</b>	<b>(28,288)</b>
Adjustments between accounting basis & funding basis under regulations		51,380	-	-	-	(123)	51,257	(51,257)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>6,148</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>(123)</b>	<b>6,386</b>	<b>(34,674)</b>	<b>(28,288)</b>
Transfers to / (from) Earmarked Reserves		(6,148)	-	6,148	-	-	-	-	-
<b>Increase / (Decrease) in 2013/14</b>		<b>-</b>	<b>361</b>	<b>6,148</b>	<b>-</b>	<b>(123)</b>	<b>6,386</b>	<b>(34,674)</b>	<b>(28,288)</b>
<b>Restated Balance at 31 March 2014 Carried Forward</b>		<b>6,000</b>	<b>7,119</b>	<b>21,452</b>	<b>-</b>	<b>1,319</b>	<b>35,890</b>	<b>(17,965)</b>	<b>17,925</b>
<b>Balance at 1 April 2014</b>		<b>6,000</b>	<b>7,119</b>	<b>21,452</b>	<b>-</b>	<b>1,319</b>	<b>35,890</b>	<b>(17,965)</b>	<b>17,925</b>
Deficit / (Surplus) on Provision of Services		(34,812)	(830)	-	-	-	(35,642)	-	(35,642)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(32,095)	(32,095)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(34,812)</b>	<b>( 830)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,642)</b>	<b>(32,095)</b>	<b>(67,737)</b>
Adjustments between accounting basis & funding basis under regulations		36,438	-	-	-	127	36,565	(36,565)	-
<b>Net Increase before Transfers to Earmarked Reserves</b>		<b>1,626</b>	<b>(830)</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>923</b>	<b>(68,660)</b>	<b>(67,737)</b>
Transfers to / (from) Reserves		(1,626)	-	1,626	-	-	-	-	-
<b>Increase / (Decrease) in 2014/15</b>		<b>-</b>	<b>( 830)</b>	<b>1,626</b>	<b>-</b>	<b>127</b>	<b>923</b>	<b>(68,660)</b>	<b>(67,737)</b>
<b>Balance at 31 March 2015 Carried Forward</b>		<b>6,000</b>	<b>6,289</b>	<b>23,078</b>	<b>-</b>	<b>1,446</b>	<b>36,813</b>	<b>(86,625)</b>	<b>(49,812)</b>

## 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 2013*</i>	<i>Restated 31 March 2014*</i>	<b>Balance Sheet</b>	<b>Notes</b>	<b>31 March 2015</b>
<b>£000</b>	<b>£000</b>			<b>£000</b>
512,961	539,037	Property, Plant & Equipment	18	578,378
35,208	35,047	Investment Property	19	33,031
3,208	1,942	Intangible Assets	20	6,758
143	30	Long Term Investments	28	45
2,332	2,596	Long term Debtors	28, 29	2,993
<b>553,852</b>	<b>578,652</b>	<b>Long Term Assets</b>		<b>621,205</b>
141	47	Short Term Investments	28	59
341	288	Inventories	31	296
46,055	56,454	Short Term Debtors	32	50,084
1214	2,789	Cash & Cash Equivalents	39	7,870
5	-	Current Intangible Asset		-
435	-	Assets Held for Sale	21	221
<b>48,191</b>	<b>59,578</b>	<b>Current Assets</b>		<b>58,530</b>
(57,327)	(63,600)	Short Term Borrowing	28	(37,524)
(67,134)	(72,442)	Short Term Creditors	33	(78,367)
(2,810)	(6,461)	Provisions	34	(6,835)
<b>(127,271)</b>	<b>(142,503)</b>	<b>Current Liabilities</b>		<b>(122,726)</b>
(216,288)	(224,282)	Long Term Creditors	7	(279,022)
(654)	(465)	Provisions	34	(419)
(153,387)	(192,478)	Long Term Borrowing	28	(271,254)
(42,610)	(40,368)	Other Long Term Liabilities	26, 27, 28, 29	(38,376)
(15,620)	(20,209)	Capital Grants Receipts in Advance	35	(17,750)
<b>(428,559)</b>	<b>(477,802)</b>	<b>Long Term Liabilities</b>		<b>(606,821)</b>
<b>46,213</b>	<b>17,925</b>	<b>Net Assets</b>		<b>(49,812)</b>
(29,504)	(35,890)	Usable Reserves	16	(36,813)
(16,709)	17,965	Unusable Reserves	16	86,625
<b>(46,213)</b>	<b>(17,925)</b>	<b>Total Reserves</b>		<b>49,812</b>

\* The restatement has occurred due to a prior period adjustment, please see Note 45

## 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. Investing activities represent the extent to which

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

<i>Restated 2013/14*</i> £000	<b>Cash Flow Statement</b>	<b>Notes</b>	<b>2014/15 £000</b>
44,871	Net (Surplus) / Deficit on the Provision of Services		35,642
(47,543)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(22,428)
(38,951)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(33,063)
(41,623)	<b>Net Cash Flows from Operating Activities</b>		<b>(19,849)</b>
87,525	Investing Activities	37	107,672
(47,476)	Financing Activities	38	(92,904)
(1,574)	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(5,081)</b>
1,215	Cash & Cash Equivalents at the Beginning of the Reporting Period		2,789
1,574	Increase / (Decrease) in Cash and Cash Equivalents		5,081
2,789	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	39	<b>7,870</b>

\* The restatement has occurred due to prior period adjustments, please see Note 45



# Notes to the Accounts

## 1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2014/15 and for the previous financial year 2013/14 follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>	<b>Central Expenditure £000</b>	<b>ISB £000</b>	<b>Total £000</b>
Final DSG for 2014/15 before Academy recoupment			(166,191)
Academy figure recouped for 2014/15			48,034
<b>Total DSG after Academy recoupment for 2014/15</b>			<b>(118,157)</b>
Brought forward from 2013/14			(1,826)
Carry forward to 2015/16 agreed in advance			3,710
Agreed initial budgeted distribution in 2014/15	(32,606)	(83,667)	(116,273)
In year adjustments	-	-	-
Final budgeted distribution for 2014/15	(32,606)	(83,667)	(116,273)
Less actual central expenditure	30,805	-	30,805
Less actual ISB deployed to schools	-	83,667	83,667
Plus Council contribution for 2014/15	-	-	-
<b>Carry Forward to 2015/16</b>	<b>(1,801)</b>	-	<b>(1,801)</b>
<b>Total amount carried forward</b>			<b>(5,511)</b>

The Council's expenditure on running schools is funded primarily by grant monies provided by the Department for Education, the 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 2012. 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.

<i>Schools Budget Funded by Dedicated Schools Grant</i>	<i>Central Expenditure £000</i>	<i>ISB £000</i>	<i>Total £000</i>
<i>Final DSG for 2013/14 before Academy recoupment</i>			<i>(158,229)</i>
<i>Academy figure recouped for 2013/14</i>			<i>35,605</i>
<b><i>Total DSG after Academy recoupment for 2013/14</i></b>			<b><i>(122,624)</i></b>
<i>Brought forward from 2012/13</i>			<i>(898)</i>
<i>Carry forward to 2014/15 agreed in advance</i>			<i>1,613</i>
<i>Agreed initial budgeted distribution in 2013/14</i>	<i>(32,190)</i>	<i>(89,719)</i>	<i>(121,909)</i>
<i>In year adjustments</i>	-	-	-
<i>Final budgeted distribution for 2013/14</i>	<i>(32,190)</i>	<i>(89,719)</i>	<i>(121,909)</i>
<i>Less actual central expenditure</i>	<i>31,977</i>	-	<i>31,977</i>
<i>Less actual ISB deployed to schools</i>	-	<i>89,719</i>	<i>89,719</i>
<i>Plus Council contribution for 2013/14</i>	-	-	-
<i>Carry Forward to 2014/15</i>	<i>(213)</i>	-	<i>(213)</i>
<b><i>Total amount carried forward</i></b>			<b><i>(1,826)</i></b>

## 2 Pooled Funds

The Council has three Section 75 (S75) agreements with health partners. Two of the agreements, for Learning Disability services and Integrated Community Equipment Services, are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The third agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

### Learning Disability Services

The annual agreement for 2014/15 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the Adult Social Care line in the Comprehensive Income and Expenditure Statement (CIES) of £0.9m (2013/14 £0.9m).

### Integrated Community Equipment Services (ICES)

The annual agreement for 2014/15 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.3m (2013/14 £0.3m) to this Pooled Partnership is shown in the Adult Social Care line in the CIES.

### Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this Pooled Partnership of £1.1m (2013/14 £1.2m) is shown in the Adult Social Care line in the CIES.

## 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 for non-audit services provided by the Council's external auditors, PricewaterhouseCoopers LLP. The 2013/14 amounts have been restated to reflect the actual final payments made for that year, which were previously disclosed as additional text to this note, as estimated figures had been used.

<i>Restated</i> 2013/14	<b>External Audit Costs</b>	<b>2014/15</b>
£000		£000
167	Fees payable with regard to external audit services carried out by the appointed auditor *	160
18	Fees payable for the certification of grant claims & returns carried out by the appointed auditor *	19
12	Other reporting responsibilities	-
-	Other services provided by the appointed auditor (audit of Teachers Pensions return)	10
<u>197</u>	<b>Total</b>	<b>189</b>

\* The fees for 2014/15 are the scale fees agreed by the Audit Commission of £145k and includes an additional amount of £15k in relation to extra work anticipated to be undertaken by PwC. Similarly an additional £4k has been included in the grant claims line in anticipation of additional testing that may be required that was not included within the agreed scale fees.

## 4 Member's Allowances

The following amounts were paid to members of the Council.

2013/14	<b>Member's Allowances</b>	<b>2014/15</b>
£000		£000
676	Allowances	663
2	Expenses	4
<u>678</u>	<b>Total</b>	<b>667</b>

## 5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2014/15, incurring liabilities of £1.1m (£1.6m 2013/14). 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 34 for details of the redundancy provision). The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the following table:

2013/14 £000		2014/15 £000
	<b>Termination Benefits</b>	
7	Central Services to the Public	-
751	Education & Children's Services	285
-	Environmental & Regulatory Services	102
74	Highways & Transport Services	43
15	Other Housing Services	-
144	Planning Services	146
-	Adult Social Care	105
339	Public Health	171
96	Corporate & Democratic Core	78
46	Trading Operations	-
174	Support Services ( <i>recharged to the services</i> )	148
<b>1,646</b>	<b>Total</b>	<b>1,078</b>

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

Termination and Exit Packages 2014/15							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
				£000	£000	£000	
1	18	19	£0 - £19,999	2	192	194	1
-	18	18	£20,000 - £39,999	-	501	501	57
-	5	5	£40,000 - £59,999	-	239	239	84
-	2	2	£60,000 - £79,999	-	144	144	25
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £149,999	-	-	-	-
-	-	-	£150,000 - £199,999	-	-	-	-
<b>1</b>	<b>43</b>	<b>44</b>	<b>Total</b>	<b>2</b>	<b>1,076</b>	<b>1,078</b>	<b>167</b>

Termination and Exit Packages 2013/14							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
				£000	£000	£000	
4	39	43	£0 - £19,999	29	358	387	7
-	14	14	£20,000 - £39,999	-	411	411	24
-	7	7	£40,000 - £59,999	-	321	321	1
-	2	2	£60,000 - £79,999	-	143	143	20
-	1	1	£80,000 - £99,999	-	92	92	-
-	1	1	£100,000 - £149,999	-	106	106	22
-	1	1	£150,000 - £199,999	-	186	186	-
<b>4</b>	<b>65</b>	<b>69</b>	<b>Total</b>	<b>29</b>	<b>1,617</b>	<b>1,646</b>	<b>74</b>

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

## 6 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pension Scheme

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

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

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

In 2014/15 the Council paid £5.5m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £5.9m and 14.1%. 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.

The Council is not liable to the scheme for any other entities' obligations under the plan.

### NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care and the employees of the Public Health Service. 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](http://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.

In 2014/15 the Council paid £0.3m to NHS Pensions in respect of employee's retirement benefits, representing 14% of pensionable pay. The figures for 2013/14 were £0.4m and 14%.

## 7 Defined Benefit Pension Schemes

### Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Employee contribution rates are tiered according to employee's pay band as set out in the following table.

Pay Band 2014/15	Contribution Rate 2014/15
Up to £13,500	5.50%
£13,501 - £21,000	5.80%
£21,001 - £34,000	6.50%
£34,001 - £43,000	6.80%
£43,001 - £60,000	8.50%
£60,001 - £85,000	9.90%
£85,001 - £100,000	10.50%
£100,001 - £150,000	11.40%
Over £150,000	12.50%

Pay Band 2013/14	Contribution Rate 2013/14
Up to £13,000	5.50%
£13,701 - £16,100	5.80%
£16,101 - £20,800	5.90%
£20,801 - £34,700	6.50%
£34,701 - £46,500	6.80%
£46,501 - £87,100	7.20%
Over £87,100	7.50%

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no fund assets built up to meet these pension liabilities.

### Transactions Relating to Post-Employment Benefits

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

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

<i>Restated 2013/14 £000</i>	<b>Comprehensive Income and Expenditure Statement</b>	<b>2014/15 £000</b>
	Cost of Services:	
12,042	Current service cost	12,748
121	Past service cost	64
-	Effect of settlements	(6,771)
	Financing & Investment Income & Expenditure	
(14,649)	Interest Income on Scheme Assets	(13,513)
24,395	Interest Cost on Defined Benefit Obligation	22,879
<b>21,909</b>	<b>Total post-employment benefit charged to the Deficit on the Provision of Services</b>	<b>15,407</b>
	Other employment benefit charged to the CIES	
25,946	Return on plan assets (excluding the amount included in the net interest expense)	(23,732)
(9,959)	Actuarial gains and losses arising on changes in demographic assumptions	-
21,858	Actuarial gains and losses arising on changes in financial assumptions	85,805
(40,484)	Other Experience	(10,535)
(101)	Adjustment to actuarial estimate contribution	(100)
(2,740)	Total Remeasurements Recognised in CIES	51,438
<b>19,169</b>	<b>Total post-employment benefit charged to the CIES</b>	<b>66,845</b>
	<b>Movement in Reserves Statement</b>	
(19,169)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(66,845)
	Actual amount charged against the General Fund Balance for pensions in the year:	
11,175	Employer's contributions payable to scheme	12,105
(7,994)	<b>Total Movement in Reserves Statement</b>	<b>(54,740)</b>

<i>31 March 2014 £000</i>	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>31 March 2015 £000</b>
314,791	Fair Value of Employer Assets	352,521
(514,453)	Present Value of Funded Liabilities	(610,397)
(24,620)	Present Value of Unfunded Liabilities	(21,146)
<b>(224,282)</b>	<b>Total</b>	<b>(279,022)</b>

<i>31 March 2014 £000</i>	<b>Reconciliation of the Fair Value of the Scheme Assets</b>	<b>31 March 2015 £000</b>
325,427	Opening fair value of Scheme Assets	314,791
-	- Contribution Adjustment	-
14,649	Interest Income	13,513
	Remeasurement gain/(loss)	
(25,946)	Return on plan assets, excluding the amount included in the net interest expense	23,732
-	- Effect of Settlements	(1,262)
11,175	Contributions from Employer	12,105
101	Adjustment for Actuarial estimated Employer Contributions	100
3,209	Contributions from Employees	3,308
(13,824)	Benefits Paid	(13,766)
<b>314,791</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>352,521</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £279m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 38. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.



31 March 2014	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2015
£000		£000
541,715	Opening Liability at 1 April	539,073
-	- Contribution Adjustment	-
12,042	Current Service Cost	12,748
24,395	Interest Cost	22,879
3,209	Contributions from Scheme Participants	3,308
	Remeasurement (gains) and losses	
(9,959)	Actuarial gains/losses arising from changes in demographic assumptions	-
21,858	Actuarial gains/losses arising from changes in financial assumptions	85,805
(40,484)	Other experience*	(10,535)
-	- Liabilities Extinguished on Settlements	(8,033)
121	Past Service Costs including curtailments	64
(13,824)	Benefits Paid	(13,766)
<b>539,073</b>	<b>Closing Liability at 31 March</b>	<b>631,543</b>

\*The 'Other experience' remeasurement figure of £40.5m for 2013/14 relates to a change in the Present Value of Scheme Liabilities caused by the triennial valuation of the LGPS which took place in 2013/14 and is known as an 'experience' item. The use of a new triennial valuation leads to significant 'experience' items which relate to updated individual member data, as the roll-forward methodologies used between triennial valuations to calculate IAS 19 figures use approximate methods which do not allow for individual member movements

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

The following table details the composition of the Scheme Assets into classes that distinguish the nature and risks of those assets. All of the assets have quoted prices in active markets apart from the asset category Private Equity.

31 March 2014	Local Government Pension Scheme Assets comprised	31 March 2015
	<b>Equity Securities</b>	
27,486	Consumer	34,915
25,978	Manufacturing	21,612
11,155	Energy and Utilities	9,932
31,757	Financial Institutions	28,831
9,280	Health and Care	17,163
18,824	Information Technology	15,939
874	Other	-
<b>125,354</b>	<b>Sub-total equity</b>	<b>128,392</b>
	<b>Private Equity:</b>	
18,726	<b>Investment Funds and Unit Trusts</b>	24,993
	Equities	108,596
101,219	Bonds	53,750
47,984	Other	26,227
17,311		
<b>166,514</b>	<b>Sub-total Investment Funds and Unit Trusts</b>	<b>188,573</b>
<b>4,197</b>	<b>Cash and Cash Equivalents</b>	<b>10,563</b>
<b>314,791</b>	<b>Total Assets</b>	<b>352,521</b>

### Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund based on the latest full valuation of the scheme as at the 31 March 2013.

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



31 March 2014	Long-term expected rate of return on assets in the scheme	31 March 2015
4.3%	Equity Investments	3.2%
4.3%	Bonds	3.2%
4.3%	Property	3.2%
4.3%	Cash	3.2%
<b>Mortality Assumptions</b>		
Longevity at 65 for Current Pensioners:		
22.5	Men (years)	22.5
24.5	Women (years)	24.5
Longevity at 65 for Future Pensioners:		
24.4	Men (years)	24.4
26.9	Women (years)	26.9
<b>Financial Assumptions</b>		
2.8%	Rate of inflation	2.4%
2.8%	Rate of increase in pensions	2.4%
4.6%	Rate of increase in salaries	4.3%
4.3%	Rate for discounting scheme liabilities	3.2%
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%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 44 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty.

### Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer

contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. This helps maintain contributions as payrolls decline. These contributions were provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £10.5m expected contributions to the scheme in 2015/16 along with a lump sum cash payment of £1.6m. This approach helps maintain pension contributions as payrolls decline. These contributions were provided for in the Councils MTFS.

The weighted average duration of the defined benefit obligation for active members is 26.2 years, deferred members 23.7 years and pensioner members 12.4 years.

## 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 following table.

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.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2014/15 was approved on 16 April 2014.

### Interim Directors and Directors not directly employed

In 2014/15 the Council entered into contracts with organisations to supply interim and a permanent Director of Public Health. The associated costs are detailed below. These reflect sums paid to those organisations, including fees, and do not necessarily reflect amounts received by the individuals themselves.

- There was an interim Director of Public Health from January 2014 to February 2015 and their cost of service in 2014/15 was £147,870 (2013/14 £23,850).
- The Director of Public Health appointed on 1 March 2015 is a joint appointment with Cambridgeshire County Council and the Council pays a fixed contribution to Cambridgeshire

County Council for the salary. The cost to the service in 2014/15 was £4,361.

2013/14 Number of Employees	Remuneration Band	2014/15 Number of Employees
76	£50,000 - £54,999	72
35	£55,000 - £59,999	37
31	£60,000 - £64,999	26
26	£65,000 - £69,999	22
7	£70,000 - £74,999	12
13	£75,000 - £79,999	8
10	£80,000 - £84,999	7
7	£85,000 - £89,999	7
1	£90,000 - £94,999	2
2	£95,000 - £99,999	3
2	£100,000 - £104,999	1
4	£105,000 - £109,999	-
1	£110,000 - £114,999	2
2	£115,000 - £119,999	1
2	£120,000 - £124,999	2
-	£125,000 - £129,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	1
1	£155,000 - £159,999	-
1	£160,000 - £164,999	-
1	£170,000 - £174,999	1
-	£175,000 - £179,999	1
1	£245,000 - £249,999	-

## Senior Employees Remuneration

In 2014/15 the second part of the senior management restructure was implemented, this followed on from the first senior management restructure of November 2013. Disclosure covers the full year, the following tables include information relating to the previous senior management structure in place before November 2013; the first phase of the senior management restructure, and the second phase of the restructure which was implemented in March 2015. The following table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears.

Post Holder	Year	Salary <sup>1</sup>	Arrears	Compensation for loss of Office	Election duties <sup>2</sup>	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) <sup>3</sup>	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley	2014/15	£169,265	-	-	£5,000	<b>£174,265</b>	£27,738	<b>£202,003</b>
	2013/14	£169,265	-	-	£1,599	£170,864	£29,951	£200,815
Corporate Director: Resources <ul style="list-style-type: none"> <li>The post holder was Executive Director Resources until 1 March 2015</li> </ul>	2014/15	£140,217	-	-	£1,450	<b>£141,667</b>	£23,004	<b>£164,671</b>
	2013/14	£140,217	£19,935	-	£1,000	£161,152	£28,347	£189,499
Corporate Director: People & Communities <ul style="list-style-type: none"> <li>2014/15 the post holder was Director of Communities until 1 March 2015 and Corporate Director People and Communities from 2 March 2015</li> <li>2013/14 The post holder was Director of Communities from 1 November 2013</li> </ul>	2014/15	£116,095	-	-	£200	<b>£116,295</b>	£19,060	<b>£135,355</b>
	2013/14	£48,060	-	-	-	£48,060	£8,459	£56,519
Corporate Director: Growth & Regeneration <ul style="list-style-type: none"> <li>2013/14 The post holder was Corporate Director Growth and Regeneration from 1 November 2013</li> </ul>	2014/15	£120,345	-	-	-	<b>£120,345</b>	£19,616	<b>£139,961</b>
	2013/14	£50,144	-	-	-	£50,144	£8,825	£58,969
Director of Governance <ul style="list-style-type: none"> <li>2013/14 The post holder was Director of Governance from 1 November 2013 and Acting Solicitor to the Council from 1 June to 31 October 2013</li> </ul>	2014/15	£95,475	-	-	2,270	<b>£97,745</b>	£15,562	<b>£113,307</b>
	2013/14	£73,979	-	-	-	£73,979	£13,020	£86,999

The table above reflects the current senior management structure. The following table includes senior employees no longer with the Council.

Post Holder	Year	Salary <sup>1</sup>	Arrears	Compensation for loss of Office	Election duties <sup>2</sup>	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) <sup>3</sup>	Total Remuneration (inc. Pension contributions)
Executive Director: Children's Services	2014/15	£113,818	-	-	£200	<b>£114,018</b>	£18,677	<b>£132,695</b>
<ul style="list-style-type: none"> <li>The post holder was Executive Director: Children's services until 1 March 2015</li> </ul>	2013/14	£124,269	-	-	-	£124,269	£22,000	£146,269
Executive Director of Adult Social Care, Health and Well Being	2014/15	£128,653	-	£49,929	£200	<b>£178,782</b>	£21,112	<b>£199,894</b>
<ul style="list-style-type: none"> <li>2014/15 The post holder was Executive Director of Adult Social Care Health and Well Being until 15 March 2015</li> <li>2013/14 The post holder was Director of Adult Social Care Health and Well Being from 1 November 2013 and Acting Director of Adult Social Care from 15 April to 31 October 2013</li> </ul>	2013/14	£115,269	-	-	-	£115,269	£20,406	£135,675
Executive Director: Operations	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Executive Director Operations until 30 November 2013</li> </ul>	2013/14	£71,245	-	£49,443	£1,000	£121,688	£12,744	£134,432
Interim Director of Public Health	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Interim Director Public Health until 30 November 2013</li> </ul>	2013/14	£59,550	-	£186,438	-	£245,988	£8,438	£254,426
Solicitor to the Council	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Solicitor to the Council until 31 May 2013</li> </ul>	2013/14	£17,531	-	£91,757	£1,000	£110,288	£3,085	£113,373
<p>1. Salary reflects actual amounts paid in the relevant period, and includes fees &amp; allowances plus basic arrears. It reflects any deductions from pay, eg car parking charges which are deducted directly from earnings</p> <p>2. Payment for election duties depend on the on the elections overseen in the year. During 2014/15 there were European Elections as well as local elections.</p> <p>3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.</p> <p>N.B There were no Bonuses, Expenses Allowances, or Benefit's in Kind payable during the 2014/15 or 2013/14.</p>								

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

<i>Restated</i> 2013/14 * £000	Other Operating Income & Expenditure	2014/15 £000
391	Parish Council Precepts	445
581	Drainage & Flood Levies	593
4	Payments to the Government Housing Capital Receipts Pool (Note 16)	2
2,453	Net Losses on Disposal of Non-Current Assets	9
(1,162)	Gains on Right To Buy Receipts	(1,022)
<b>2,267</b>	<b>Total</b>	<b>27</b>

\* The restatement relates to a prior period adjustment, please see Note 45

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

<i>Restated</i> 2013/14 * £000	Financing & Investment Income & Expenditure	2014/15 £000
11,204	Interest Payable & Similar Charges (Note 28)	13,233
(210)	Interest Receivable & Similar Income (Note 28)	(239)
9,746	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	9,366
(1,449)	(Gains) / Losses on Trading Operations - (Note 11)	1,669
1,751	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	1,898
984	Impairment of Current Assets	614
11,799	De-recognition of Subsidiary Assets	26,103
<b>33,825</b>	<b>Total</b>	<b>52,644</b>

\* The restatement relates to a prior period adjustment, please see Note 45

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

## 11 Trading Operations

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

Trading Operations 2014/15	Expenditure	Income	Deficit /
	£000	£000	(Surplus) £000
Industrial Properties	529	(1,862)	(1,333)
Commercial Properties	793	(1,690)	( 897)
Market Properties	327	(372)	( 45)
<b>Total for Properties</b>	<b>1,649</b>	<b>(3,924)</b>	<b>(2,275)</b>
Westcombe Industries	1,188	(1,053)	135
Environment Capital	4,629	(1,369)	3,260
<b>Other Traded Services</b>	<b>5,817</b>	<b>(2,422)</b>	<b>3,395</b>
<b>Sub Total</b>	<b>7,466</b>	<b>(6,346)</b>	<b>1,120</b>
Capital Charges Adjustment	549	-	549
<b>Total for Trading Units</b>	<b>8,015</b>	<b>(6,346)</b>	<b>1,669</b>

Restated Trading Operations 2013/14* (see Note 45 for restatement)	Expenditure	Income	Deficit /
	£000	£000	(Surplus) £000
Industrial Properties	440	(1,723)	(1,283)
Commercial Properties	491	(1,127)	( 636)
Market Properties	323	(379)	( 56)
<b>Total for Properties</b>	<b>1,254</b>	<b>(3,229)</b>	<b>(1,975)</b>
Westcombe Industries	970	(904)	66
Environment Capital	467	(525)	( 58)
Other Traded Services	1,437	(1,429)	8
<b>Sub Total</b>	<b>2,691</b>	<b>(4,658)</b>	<b>(1,967)</b>
Capital Charges Adjustment	518	-	518
<b>Total for Trading Units</b>	<b>3,209</b>	<b>(4,658)</b>	<b>(1,449)</b>

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the council and deliver aspects of the Council's Environment Capital vision. The deficit for 2014/15 was caused by one-off abortive costs of £3.3m related to the Wind & Solar capital project which Cabinet resolved to cease in February 15 due to changes in government support and national planning guidance.

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

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

Restated 2013/14* £000	Taxation & Non-Specific Grant Income	2014/15 £000
(57,124)	Council Tax Income	(58,947)
144	NDR Levy Payment	237
6,430	NDR Tariff Payment	6,555
(40,966)	NDR Income	(45,098)
<b>(91,516)</b>	<b>Total Taxation Income</b>	<b>(97,253)</b>
<b>(55,166)</b>	<b>Non-Specific Government Grants</b>	
(649)	Revenue Support Grant	(45,972)
(3,750)	Council Tax Freeze Grant	(663)
(987)	New Homes Bonus	(4,869)
(155)	Section 31 Grant	(1,510)
	Local Services Support Grant	(70)
<b>(60,707)</b>	<b>Total Non-Specific Grants</b>	<b>(53,084)</b>
<b>(17,545)</b>	Capital Grants & Contributions (Note 25)	(29,675)
<b>(169,768)</b>	<b>Total Income</b>	<b>(180,012)</b>

\* The restatement relates to a prior period adjustment, please see Note 45



### 13 Related Parties

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

The 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 15 on reporting for resources allocation decisions.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2014/15 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 are normal business transactions and the Councillors have not been involved in the decision to award the contracts. These companies include a day nursery, a construction company, a property company and Peterborough Environmental City Trust. The transactions with the day nursery, construction company and property company are included in the following table but the transaction with Peterborough Environmental City Trust is not of a material nature for either the

Council or the company and is therefore not disclosed separately.

Organisation	Member	Cost to the Council £000	Balance Outstanding £000
St Joseph's Day Nursery	Cllr M Cereste	298	-
Nadeem Construction Ltd	Cllr M Nadeem	139	-
Broadway Properties	Cllr J Peach	13	-

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2014/15 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 57 Councillors 3 declarations of related party interests were not received by 15 June 2015.

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of legal services and regulatory services to Rutland County Council, a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council, planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council and neighbourhood planning services to North Kesteven District Council and West Lindsey District Council. In January 2012 the Council entered into a framework agreement for Solar PV installations which in 2014/15 was accessed by Colchester Borough Council. The Council also has 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 14.

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 Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>). The following tables detail the expenditure, included in the cost of services in the Comprehensive Income and Expenditure Statement, made by the Council to those organisations.

#### Related Parties - 2014/15

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr M Cereste Cllr M Lee Cllr G Elsey Cllr M Jamil	82	2
Eastern Shires Purchasing Organisation	Cllr J Holdich Cllr D Seaton	222	33
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	361	43
Greater Cambridgeshire & Greater Peterborough Local Enterprise Partnership	Cllr M Cereste	33	-
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Holdich	1,112	25
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	246	-
Vivacity	Cllr L Serluca Cllr G Casey	3,352	16
North Level Drainage Board	Cllr J Fox Cllr P Hiller Cllr J Holdich	284	-
Peterborough Association for the Blind	No current representative	4	-
Welland and Deeping Internal Drainage Board	Cllr J Holdich	153	-
Italian Community Assn.	Cllr B Rush Cllr C Swift M D'Andrea	18	-

Related Parties - 2013/14 Comparators

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr M Cereste Cllr M Lee Cllr G Elsey Cllr M Jamil	44	-
LGA – Rural Commission	Cllr D Over Cllr I Walsh		
LGA – Urban Commission	Cllr G Elsey Cllr J Peach		
Eastern Shires Purchasing Organisation	Cllr J Holdich Cllr D Seaton	275	2
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	1,994	2
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Goodwin	829	10
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	815	6
Vivacity	Cllr G Casey Cllr G Elsey	4,056	-
Cresset - Council of Mgt.	Cllr W Fitzgerald	32	-
North Level Drainage Board	Cllr N Arculus Cllr D Harrington Cllr P Hiller Mr P Hurn Cllr J Holdich	280	-
Peterborough Association for the Blind	Cllr P Kreling	7	1
Welland and Deeping Internal Drainage Board	Cllr J Holdich	150	-
Italian Community Assn.	Cllr B Rush M D'Andrea	29	2

14 Interest in Companies and Partnerships

**Opportunity Peterborough Limited**

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 £330,000 in 2014/15 (£380,000 2013/14) along with funding for seconded staff £12,440 in 2014/15 (£20,965 2013/14) are included within the Council’s Net Cost of Services. During the year the Council provided office space with a rental value of £36,266 on a rent free basis.

The net assets of the Company at 31 March 2015 are £219,935 (31 March 2014, £158,420), and the Company made a net surplus of £61,515 in 2014/15 (2013/14, deficit of £37,665). The accounts can be obtained from Opportunity Peterborough, Eco Innovation Centre, City Road, Peterborough, Cambridgeshire PE1 1SA

**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. As at 31 March 2015 there have been no transactions through the company.

### **Peterborough Investment Partnership**

The registered name of the limited liability partnership is Peterborough Investment Partnership LLP and the members of the limited liability partnership are Peterborough City Council and Lucent Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and Lucent Peterborough Partnership SARL and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors. As at 31 March 2015 there have been no transactions through the partnership.

### **15 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, the Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. These reports are based on the Council's organisational structure following the first phase of the Senior Management Restructure. 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:

<b>Portfolio Income &amp; Expenditure for 2014/15</b>	<b>ASC H&amp;W* £000</b>	<b>Chief Executives £000</b>	<b>Children's Services £000</b>	<b>Communities £000</b>	<b>Governance £000</b>	<b>Growth &amp; Regeneration £000</b>	<b>Resources £000</b>	<b>2014/15 Total £000</b>
Fees, charges & other service income	(16,143)	-	(2,385)	(7,630)	(7,109)	(3,160)	(32,691)	(69,118)
Government Grants	-	-	(437)	(12,807)	(275)	(1,655)	(235,480)	(250,654)
<b>Total Income</b>	<b>(16,143)</b>	<b>-</b>	<b>(2,822)</b>	<b>(20,437)</b>	<b>(7,384)</b>	<b>(4,815)</b>	<b>(268,171)</b>	<b>(319,772)</b>
Employee expenses	9,875	275	14,346	13,307	7,502	4,616	90,837	140,758
Other service expenses	48,151	196	4,497	49,492	5,888	13,823	215,126	337,173
<b>Total Expenditure</b>	<b>58,026</b>	<b>471</b>	<b>18,843</b>	<b>62,799</b>	<b>13,390</b>	<b>18,439</b>	<b>305,963</b>	<b>477,931</b>
<b>Net Expenditure</b>	<b>41,883</b>	<b>471</b>	<b>16,021</b>	<b>42,362</b>	<b>6,006</b>	<b>13,624</b>	<b>37,792</b>	<b>158,159</b>
<b>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>								
Net Expenditure in the Portfolio Analysis								158,159
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								41,074
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(36,250)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>								<b>162,983</b>

\*ASC H&W is an abbreviation for Adult Social Care, Health & Wellbeing

<b>Portfolio Income &amp; Expenditure for 2013/14 Restated – see note 46</b>	<b>ASC H&amp;W* £000</b>	<b>Chief Executives £000</b>	<b>Children's Services £000</b>	<b>Communities £000</b>	<b>Governance £000</b>	<b>Growth &amp; Regeneration £000</b>	<b>Resources £000</b>	<b>2013/14 Total £000</b>
Fees, charges & other service income	(16,381)	(33)	(2,153)	(8,090)	(6,966)	(3,968)	(42,975)	(80,566)
Government Grants	-	-	(322)	(10,737)	(248)	(1,791)	(226,992)	(240,090)
<b>Total Income</b>	<b>(16,381)</b>	<b>(33)</b>	<b>(2,475)</b>	<b>(18,827)</b>	<b>(7,214)</b>	<b>(5,759)</b>	<b>(269,967)</b>	<b>(320,656)</b>
Employee expenses	8,949	265	13,064	15,591	7,137	5,135	98,625	148,766
Other service expenses	50,071	143	4,281	51,364	5,418	15,585	204,753	331,615
<b>Total Expenditure</b>	<b>59,020</b>	<b>408</b>	<b>17,345</b>	<b>66,955</b>	<b>12,555</b>	<b>20,720</b>	<b>303,378</b>	<b>480,381</b>
<b>Net Expenditure</b>	<b>42,639</b>	<b>375</b>	<b>14,870</b>	<b>48,128</b>	<b>5,341</b>	<b>14,961</b>	<b>33,411</b>	<b>159,725</b>
<b>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>								
Net Expenditure in the Portfolio Analysis								159,725
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								46,104
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(27,282)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>								<b>178,547</b>

## 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 2014/15	Portfolio Analysis	Amounts not Reported to Mgmt <sup>1</sup>	Amounts not included in CIES <sup>2</sup>	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(68,920)	6,637	6,360	9,320	(46,603)	(9,262)	(55,865)
Interest & Investment Income	(198)	-	198	-	-	(239)	(239)
Income from Council Tax	-	-	-	-	-	(58,947)	(58,947)
NDR Income	-	-	-	-	-	(45,098)	(45,098)
Government Grants & Contributions	(250,654)	(5,912)	7,112	-	(249,454)	(82,759)	(332,213)
<b>Total Income</b>	<b>(319,772)</b>	<b>725</b>	<b>13,670</b>	<b>9,320</b>	<b>(296,057)</b>	<b>(196,305)</b>	<b>(492,362)</b>
Employee Expenses	140,758	(6,316)	(471)	-	133,971	9,836	143,807
Other Service Expenses	324,029	(5,807)	(36,305)	-	281,917	14,401	296,318
Support Services Recharges	-	-	-	(9,320)	(9,320)	-	(9,320)
Depreciation, Amortisation & Impairment	-	52,472	-	-	52,472	2,448	54,920
Interest Payments	13,144	-	(13,144)	-	-	13,233	13,233
Precepts & Levies	-	-	-	-	-	1,038	1,038
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2
Movement on Revaluation of Assets Held for Sale	-	-	-	-	-	-	-
Loss on Disposal of Non-Current Assets	-	-	-	-	-	28,006	28,006
<b>Total Expenditure</b>	<b>477,931</b>	<b>40,349</b>	<b>(49,920)</b>	<b>(9,320)</b>	<b>459,040</b>	<b>68,964</b>	<b>528,004</b>
<b>Deficit / (Surplus) on the Provision of Services</b>	<b>158,159</b>	<b>41,074</b>	<b>(36,250)</b>	<b>-</b>	<b>162,983</b>	<b>(127,341)</b>	<b>35,642</b>

<sup>1</sup> Amounts not reported to Management are accounting entries over which the Management have no control ie IAS19 pension adjustment the accumulated compensated absences adjustment, capital charges and capital grants.

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

<i>Restated Reconciliation to Subjective Analysis 2013/14 – 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 &amp; Other Service Income</i>	(80,356)	6,285	4,662	8,132	(61,277)	(7,386)	(68,663)
<i>Interest &amp; Investment Income</i>	(210)	-	210	-	-	(210)	(210)
<i>Income from Council Tax</i>	-	-	-	-	-	(57,126)	(57,126)
<i>NDR Income</i>	-	-	-	-	-	(40,966)	(40,966)
<i>Government Grants &amp; Contributions</i>	(240,090)	(10,008)	5,541	-	(244,557)	(78,252)	(322,809)
<b><i>Total Income</i></b>	<b>(320,656)</b>	<b>(3,723)</b>	<b>10,413</b>	<b>8,132</b>	<b>(305,834)</b>	<b>(183,940)</b>	<b>(489,774)</b>
<i>Employee Expenses</i>	148,766	533	(410)	-	148,889	10,156	159,045
<i>Other Service Expenses</i>	324,228	(12,557)	(29,898)	-	281,773	9,811	291,584
<i>Support Services Recharges</i>	-	-	-	(8,132)	(8,132)	-	(8,132)
<i>Depreciation, Amortisation &amp; Impairment</i>	-	61,851	-	-	61,851	2,297	64,148
<i>Interest Payments</i>	7,387	-	(7,387)	-	-	11,204	11,204
<i>Precepts &amp; Levies</i>	-	-	-	-	-	972	972
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	4	4
<i>Movement on Revaluation of Assets Held for Sale</i>	-	-	-	-	-	-	-
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	15,820	15,820
<b><i>Total Expenditure</i></b>	<b>480,381</b>	<b>49,827</b>	<b>(37,695)</b>	<b>(8,132)</b>	<b>484,381</b>	<b>50,264</b>	<b>534,645</b>
<b><i>Deficit / (Surplus) on the Provision of Services</i></b>	<b>159,725</b>	<b>46,104</b>	<b>(27,282)</b>	<b>-</b>	<b>178,547</b>	<b>(133,676)</b>	<b>44,871</b>

\* The restatement has occurred due to a prior period adjustment, please see Note 45

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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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, however the Council is restricted in the use of these as the schools balances are held by schools and can only be spent by schools. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Council to maintain a prudent level of reserves.

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



- **Summary of Usable and Unusable Reserves**

The table below shows the movement on each reserve to give total balances as at 31 March for usable and unusable reserves.

1 April 2013	Restated Movement*	Restated 31 March 2014*	<b>Summary of Usable and Unusable Reserves</b>	Restated 1 April 2014*	Movement	31 March 2015
£000	£000	£000		£000	£000	£000
			<b>Usable Reserves</b>			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,758)	(361)	(7,119)	School Balances	(7,119)	830	(6,289)
(15,304)	(6,148)	(21,452)	Specific Earmarked Reserves (Note 17)	(21,452)	(1,626)	(23,078)
-	-	-	Capital Receipts Reserve	-	-	-
(1,442)	123	(1,319)	Capital Grants Unapplied Account	(1,319)	(127)	(1,446)
<b>(29,504)</b>	<b>(6,386)</b>	<b>(35,890)</b>	<b>Total Usable Reserves</b>	<b>(35,890)</b>	<b>(923)</b>	<b>(36,813)</b>
			<b>Unusable Reserves</b>			
(103,355)	(7,111)	(110,466)	Revaluation Reserve	(110,466)	(7,892)	(118,358)
(133,431)	31,547	(101,884)	Capital Adjustment Account	(101,884)	22,194	(79,690)
(975)	952	(23)	Deferred Capital Receipts	(23)	4	(19)
489	(8)	481	Financial Instruments Adjustment Account	481	(7)	474
216,288	7,994	224,282	Pension Fund Reserve	224,282	54,740	279,022
331	1,755	2,086	Collection Fund Adjustment Account	2,086	(126)	1,960
3,944	(455)	3,489	Accumulating Compensated Absences Adjustment Account	3,489	(253)	3,236
<b>(16,709)</b>	<b>34,674</b>	<b>17,965</b>	<b>Total Unusable Reserves</b>	<b>17,965</b>	<b>68,660</b>	<b>86,625</b>
<b>(46,213)</b>	<b>28,288</b>	<b>(17,925)</b>	<b>Total Usable and Unusable Reserves</b>	<b>(17,925)</b>	<b>67,737</b>	<b>49,812</b>

\* The restatement has occurred due to a prior period adjustment, please see Note 45

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non current assets	(23,527)	-	-	23,527
Revaluation losses on Property Plant and Equipment	(19,194)	-	-	19,194
Movements in the fair value of Investment Properties	(1,898)	-	-	1,898
Amortisation of intangible assets	(1,384)	-	-	1,384
Capital grants and contributions	35,019	-	-	(35,019)
Revenue expenditure funded from capital under statute	(9,018)	-	-	9,018
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(28,006)	-	-	28,006
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	10,916	-	-	(10,916)
Capital expenditure charged against the General Fund	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	669	-	(669)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	542	( 542)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,903	(2,903)	-	-
Use of the reserve to finance new capital expenditure	-	2,905	-	(2,905)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(4)	-	4
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
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)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(15,407)	-	-	15,407
Employer's pensions contributions & direct payments to pensioners payable in the year	12,105	-	-	(12,105)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	911	-	-	(911)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(785)	-	-	785
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments for short-term compensated absences	253	-	-	(253)
<b>Total Adjustments</b>	<b>(36,438)</b>	<b>-</b>	<b>(127)</b>	<b>36,565</b>

<i>Restated Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14*</i>	<i>Usable Reserves</i>			<i>Movement in Unusable Reserves</i>
	<i>General Fund Balance</i>	<i>Capital Receipts Reserve</i>	<i>Capital Grants Unapplied</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Adjustments involving the Capital Adjustment Account:</i>				
<i>Reversal of items debited or credited to the CIES:</i>				
<i>Depreciation &amp; impairment of non current assets</i>	(26,126)	-	-	26,126
<i>Revaluation losses on Property Plant and Equipment</i>	(8,439)	-	-	8,439
<i>Movements in the fair value of Investment Properties</i>	(1,751)	-	-	1,751
<i>Amortisation of intangible assets</i>	(2,209)	-	-	2,209
<i>Capital grants and contributions</i>	27,139	-	-	(27,139)
<i>Revenue expenditure funded from capital under statute</i>	(25,209)	-	-	25,209
<i>Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES</i>	(15,820)	-	-	15,820
<i>Insertion of items not debited or credited to the CIES:</i>				
<i>Statutory provision for the financing of capital investment</i>	10,336	-	-	(10,336)
<i>Capital expenditure charged against the General Fund</i>	-	-	-	-
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
<i>Capital grants &amp; contributions unapplied from the CIES</i>	-	-	-	-
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>	-	-	123	(123)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
<i>Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES</i>	2,729	(2,729)	-	-
<i>Use of the reserve to finance new capital expenditure</i>	-	3,677	-	(3,677)
<i>Contribution from the reserve to finance the payments to the Government capital receipts pool.</i>	(4)	4	-	-
<i>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</i>	-	(952)	-	952
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
<i>Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.</i>	8	-	-	(8)
<i>Adjustments involving the Pensions Reserve:</i>				
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(21,909)	-	-	21,909
<i>Employer's pensions contributions &amp; direct payments to pensioners payable in the year</i>	11,175	-	-	(11,175)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
<i>Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</i>	409	-	-	(409)
<i>Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements</i>	(2,164)	-	-	2,164
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
<i>Adjustments for short-term compensated absences</i>	455	-	-	(455)
<b>Total Adjustments</b>	<b>(51,380)</b>	<b>-</b>	<b>123</b>	<b>51,257</b>

\* The restatement has occurred due to a prior period adjustment, please see Note 45

- **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.

<i>Restated</i> 2013/14* £000	<b>Revaluation Reserve:</b>	<b>2014/15</b> <b>£000</b>
(103,355)	Balance at start of year	(110,466)
(22,925)	Upward revaluation of assets	(25,089)
9,082	Downward revaluation of assets & impairment losses not charge to the Surplus / Deficit on the Provision of services	5,746
2,020	Difference between fair value depreciation & historical cost depreciation	1,924
4,712	Release of revaluation gains on disposal	9,527
<u>(110,466)</u>	Balance at end of the year	<u>(118,358)</u>

\*The restatement has occurred due to a prior period adjustment, see Note 45

- **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.

<i>Restated</i> 2013/14* £000	<b>Capital Adjustment Account:</b>	<b>2014/15</b> <b>£000</b>
(133,431)	Balance at start of year	(101,884)
26,126	Charges for depreciation & Impairment	23,527
8,439	Revaluation gains / losses on Property, Plant & Equipment	19,194
1,751	Movement in market value of Investment Properties	1,898
2,209	Amortisation of Intangible Assets	1,384
(27,139)	Capital Grants & Contributions that have been applied to Capital Financing	(35,019)
25,209	Revenue Expenditure Funded from Capital under Statute	9,018
15,820	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	28,006
(10,336)	Provision for the Repayment of Debt (MRP)	(10,916)
(123)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(542)
(2,020)	Depreciation & Impairment written down to Revaluation Reserve	(1,924)
(4,712)	Transfer of Revaluation Reserve on disposal	(9,527)
(3,677)	Transfer from Useable Capital Receipts	(2,905)
<u>(101,884)</u>	Balance at end of the year	<u>(79,690)</u>

\*The restatement has occurred due to a prior period adjustment, see Note 45

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.

2013/14 £000	<b>Deferred Capital Receipts Reserve:</b>	2014/15 £000
(975)	Balance at start of year	(23)
952	Transfer to the Capital Receipts Reserve upon receipt of cash	4
<u>(23)</u>	Balance at end of the year	<u>(19)</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.

2013/14 £000	<b>Financial Instruments Adjustment Account:</b>	2014/15 £000
489	Balance at start of year	481
(8)	Interest Paid on Short Term Loans	(7)
<u>481</u>	Balance at end of the year	<u>474</u>

- **Pensions Reserve**

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

2013/14 £000	<b>Pensions Reserve:</b>	2014/15 £000
216,288	Balance at start of year	224,282
(2,740)	Actuarial gains / losses on pension assets & liabilities (Note 7)	51,438
21,909	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)	15,407
(11,175)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(12,105)
<u>224,282</u>	Balance at end of the Year	<u>279,022</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 67.

2013/14 £000	<b>Collection Fund Adjustment Account:</b>	2014/15 £000
331	Balance at start of year	2,086
(409)	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	(911)
2,164	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	785
<u>2,086</u>	Balance at end of the Year	<u>1,960</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.

2013/14 £000	<b>Accumulating Compensated Absences Adjustment Account:</b>	2014/15 £000
3,944	Balance at start of year	3,489
(455)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(253)
<u>3,489</u>	Balance at end of the Year (Note 33)	<u>3,236</u>

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

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

General Fund Earmarked Reserves	31 March 2014	Transfers Out	Transfers In	Movement between Reserves	31 March 2015	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	4,100	(1,954)	4,893	(322)	6,717	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,687	-	414	(1,500)	3,601	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	1,027	(325)	527	(79)	1,150	School revenue reserves put aside for funding future school capital schemes.
Future Cities	2,685	(611)	-	-	2,074	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Available for Capacity Building	8,560	(7,495)	5,786	1,923	8,774	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	-	-	254	-	254	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
Other	393	-	137	(22)	508	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts, Salix Carbon Reduction and Parish Burial Reserves.
<b>Total Reserves</b>	<b>21,452</b>	<b>(10,385)</b>	<b>12,011</b>	<b>-</b>	<b>23,078</b>	



## 18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2014/15	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014 Gross Book Value</b>	<b>363,953</b>	<b>29,791</b>	<b>197,596</b>	<b>4,160</b>	<b>570</b>	<b>23,134</b>	<b>46,036</b>	<b>665,240</b>
Additions	5,739	3,596	19,368	53	-	32	67,658	96,446
Revaluation increase / (decrease) recognised in the Revaluation Reserve	12,766	-	-	92	83	-	-	12,941
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(19,705)	-	-	-	-	-	-	(19,705)
Derecognition - Disposals	(27,737)	(90)	-	-	-	(878)	(36)	(28,741)
Reclassified Assets	(176)	(237)	-	-	-	(758)	-	(1,171)
Assets Under Construction Completed In Year	26,638	1,706	-	-	-	-	(31,251)	(2,907)
<b>At 31 March 2015</b>	<b>361,478</b>	<b>34,766</b>	<b>216,964</b>	<b>4,305</b>	<b>653</b>	<b>21,530</b>	<b>82,407</b>	<b>722,103</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	<b>(29,871)</b>	<b>(17,245)</b>	<b>(73,216)</b>	<b>(3,264)</b>	<b>-</b>	<b>(2,255)</b>	<b>(352)</b>	<b>(126,203)</b>
Depreciation Charge	(7,185)	(4,475)	(10,110)	-	-	-	-	(21,770)
Depreciation written out to the Revaluation Reserve	3,918	20	-	-	-	-	-	3,938
Depreciation written out to the (Surplus) / Deficit on Provision of Services	484	27	-	-	-	-	-	511
Impairment (losses) /reversals recognised in the Revaluation Reserve	2,503	-	-	-	-	(39)	-	2,464
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(1,442)	(204)	-	(58)	-	(47)	(6)	(1,757)
Derecognition – Movement on Transfers	-	149	-	-	-	741	(2,808)	(1,918)
Derecognition - Disposals	873	59	-	-	-	44	34	1,010
<b>At 31 March 2015</b>	<b>(30,720)</b>	<b>(21,669)</b>	<b>(83,326)</b>	<b>(3,322)</b>	<b>-</b>	<b>(1,556)</b>	<b>(3,132)</b>	<b>(143,725)</b>
<b>Net Book Value - At 31 March 2015</b>	<b>330,758</b>	<b>13,097</b>	<b>133,638</b>	<b>983</b>	<b>653</b>	<b>19,974</b>	<b>79,275</b>	<b>578,378</b>
<i>Net Book Value - At 31 March 2014</i>	<i>334,082</i>	<i>12,546</i>	<i>124,380</i>	<i>896</i>	<i>570</i>	<i>20,879</i>	<i>45,684</i>	<i>539,037</i>

Comparative Movements in 2013/14

<i>Property Plant &amp; Equipment (PPE) – Restated 2013/14*</i>	<i>Other Land &amp; Buildings</i>	<i>Vehicles, Plant &amp; Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2013 Gross Book Value</i>	350,151	51,923	184,378	4,083	570	25,567	21,830	638,502
<i>Additions</i>	12,368	2,473	11,912	57	-	33	35,592	62,435
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	13,103	-	-	20	-	-	-	13,123
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(9,188)	-	-	-	-	(1)	-	(9,189)
<i>Derecognition - Disposals</i>	(12,365)	(24,568)	-	-	-	(2,642)	-	(39,575)
<i>Reclassified Assets</i>	3	(37)	-	-	-	-	-	(34)
<i>Assets Under Construction Completed In Year</i>	9,883	-	1,306	-	-	175	(11,386)	(22)
<i>At 31 March 2014</i>	363,955	29,791	197,596	4,160	570	23,132	46,036	665,240
<i>Accumulated Depreciation and Impairment</i>								
<i>At 1 April 2013</i>	(20,999)	(34,556)	(64,412)	(3,207)	-	(2,049)	(318)	(125,541)
<i>Depreciation Charge</i>	(7,203)	(6,621)	(8,804)	-	-	-	-	(22,628)
<i>Depreciation written out to the Revaluation Reserve</i>	1,510	-	-	-	-	-	-	1,510
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	759	-	-	-	-	-	-	759
<i>Impairment (losses)/reversals recognised in the Revaluation Reserve</i>	(790)	-	-	-	-	-	-	(790)
<i>Impairment (losses)/ reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(3,628)	-	-	(57)	-	(206)	(34)	(3,925)
<i>Depreciation Movement on Transfers</i>	(3)	9	-	-	-	-	-	6
<i>Derecognition - Disposals</i>	483	23,923	-	-	-	-	-	24,406
<i>At 31 March 2014</i>	(29,871)	(17,245)	(73,216)	(3,264)	-	(2,255)	(352)	(126,203)
<i>Net Book Value - At 31 March 2014</i>	334,084	12,546	124,380	896	570	20,877	45,684	539,037
<i>Net Book Value - At 31 March 2013</i>	329,152	17,367	119,966	876	570	23,518	21,512	512,961

\*The restatement has occurred due to a prior period adjustment, see Note 45

## 19 Investment Properties

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

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

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

<i>2013/14</i> £000	<b>Investment Properties</b>	<b>2014/15</b> £000
35,208	Balance at start of year	35,047
	Additions:	
372	Subsequent Expenditure (Note 25)	157
780	Acquisition (Note 25)	-
-	Disposals	(275)
(1,751)	Revaluations (Note 10)	(1,898)
423	Impairments	-
15	To/from Property, Plant and Equipment	-
<u>35,047</u>	Balance at end of the Year	<u>33,031</u>

## 20 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 the exception of the vehicle licence plate which the Council has deemed to have an infinite life and is therefore not amortised.

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

There are two items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

<i>31 March</i> 2014	<b>Intangible Assets</b>	<b>Remaining Amortisation Period Years</b>	<b>31 March</b> 2015 £000
£000			
-	E-Service Software	3	2,003
-	Energy Performance Contract	7	2,335
<u>-</u>	<b>Total</b>		<u>4,338</u>

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

<i>Internally Generated Asset</i> £000	<i>Software &amp; Other Assets</i> £000	<i>2013/14 Total</i> £000	<b>Intangible Assets</b>	<i>Internally Generated Asset</i> £000	<i>Software &amp; Other Assets</i> £000	<i>2014/15 Total</i> £000
142	8,777	8,919	Balance at 1 April:	142	9,125	9,267
(118)	(5,593)	(5,711)	Gross Carrying Amounts	(142)	(7,183)	(7,325)
			Accumulated Amortisation			
24	3,184	3,208	<b>Net Carrying Amount at Start of the Year</b>	-	<b>1,942</b>	<b>1,942</b>
			Additions			
-	1,126	1,126	Purchases (Note 25)	-	3,234	3,234
-	-	-	Assets Under Construction Completed in Year	-	2,907	2,907
-	-	-	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	-	-	-
(24)	(2,185)	(2,209)	Amortisation for the period	-	(1,384)	(1,384)
			Disposals			
-	(817)	(817)	De-recognition - Disposals	-	(2,943)	(2,943)
-	606	606	De-recognition - Disposals (Accumulated Amortisation)	-	2,943	2,943
-	37	37	Other Changes – Gross Carrying Amount	-	237	237
-	(9)	(9)	Other Changes - Amortisation	-	(178)	(178)
-	1,942	1,942	<b>Net Carrying Amount at the End of Year</b>	-	<b>6,758</b>	<b>6,758</b>
142	9,125	9,267	Gross Carrying Amounts	142	12,560	12,702
(142)	(7,183)	(7,325)	Accumulated Amortisation	(142)	(5,802)	(5,944)
-	1,942	1,942	<b>Net Carrying Amount at the End of Year</b>	-	<b>6,758</b>	<b>6,758</b>

## 21 Assets Held for Sale

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

2013/14 £000	Assets Held for Sale - Current Assets	2014/15 £000
435	Balance at 1 April:	-
7	Property, Plant and Equipment Newly Classified as Assets Held Sale - Current Asset	221
(9)	Revaluation Losses	-
4	Impairment Losses	-
-	Property, Plant and Equipment Declassified as Held for Sale	-
(440)	Assets Sold	-
	<b>Other movements:</b>	
3	Additions (Note 25)	-
-	Capital Costs Incurred In Preparation For Disposal	-
-	<b>Balance Outstanding</b>	<b>221</b>

## 22 Capital Commitments

As at 31 March 2015 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. These contracts at a budgeted cost of £110.8m are part of the approved capital programme within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract £000	Value outstanding at 31/3/15 £000
Waste Management Strategy	75,578	21,067
City Fibre Project	4,980	338
ICT Project – Server Move	1,259	1,200
Regulatory Service Systems Development	301	180
Demolition of Welland House	109	101
Broadband Infrastructure	2,064	1,677
Affordable Housing - Maskew Avenue	300	150
Improved Facilities in Hampton	221	221
Horseshoe Park	200	200
Junction 17-2 Widening:		
Design and Supervision	584	105
Construction	16,360	4,968
Public Realm Improvement Works:		
Bourges Boulevard	3,068	803
Long Causeway	1,625	267
Schools Works:		
Southfields Primary School	250	250
Thorpe Primary School	2,789	1,576
Phoenix School	4,320	1,863
Nenegate School	425	303
Discovery School	759	610
<b>Total</b>	<b>115,192</b>	<b>35,879</b>

## 23 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 2014/15 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.

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

Revaluation Reserve see Note 16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Assets Held for Sale* £000	Total £000
Valued at fair value as at:				
31 March 2015	7,906	16	(30)	7,892
31 March 2014	10,037	(6)	(2,920)	7,111
31 March 2013	(4,801)	(6)	(292)	(5,099)
31 March 2012	26,914	(26)	(1,172)	25,716
Prior 31 March 2011	61,439	43	21,256	82,738
<b>Total Valuation</b>	<b>101,495</b>	<b>21</b>	<b>16,842</b>	<b>118,358</b>

\* Assets Held for Sale includes values relating to Surplus Assets

## 24 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Notes 18 and 20 which reconcile the movement over the year for Property, Plant, and Equipment (PPE) and Intangible Asset balances respectively.

During 2014/15 £8.1m of impairment losses have been charged to the Support Services line in the Comprehensive Income and Expenditure Statement. Capital expenditure of £2.4m has been spent on improving the Council's assets which has not significantly increased the value of each individual building, under the current valuation methodology, and abortive costs of £3.3m relating to the Wind and Solar project are also included.

## 25 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance the expenditure.

2013/14 £000		2014/15 £000
316,098	<b>Opening Capital Financing Requirement</b>	365,748
26,843	Property, Plant and Equipment (Note 18)	28,788
35,592	Assets Under Construction (Note 18)	67,658
1,152	Investment Properties (Note 19)	157
3	Assets Held for Sale (Note 21)	-
1,126	Intangible Assets (Note 20)	3,234
25,209	Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,018
1,000	Loans to Third Parties	-
-	Abortive costs of Wind & Solar Project*	(2,808)
	<b>Sources of Finance</b>	
(3,677)	Capital Receipts	(2,905)
(27,262)	Capital Grants & Contributions	(35,561)
(10,336)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(10,916)
<u>365,748</u>	<b>Closing Capital Financing Requirement</b>	<u>422,413</u>
	<b>Explanation of movements in year</b>	
59,589	Increase in underlying need to borrow:	70,105
397	Assets acquired under finance leases	284
	Decrease in underlying need to borrow:	
(10,336)	MRP	(10,916)
-	Abortive costs of Wind & Solar Project*	(2,808)
<u>49,650</u>	<b>Increase in Capital Financing Requirement</b>	<u>56,665</u>

\* Abortive costs of Wind & Solar Project in the above table relate to costs capitalised and financed in previous financial years. The £3.3m mentioned in Notes 11 & 24 is made up of this and a further £0.5m incurred in 2014/15.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2014/15 this expenditure is £9.0m compared with £25.2m in 2013/14. This breakdown is shown in the following table.

2013/14 £000	<b>Revenue Expenditure Funded from Capital Under Statute</b>	2014/15 £000
1,878	Disabled Facility and Assistance Grants	2,912
1,802	Affordable Housing	1,065
2,594	Nene Park Academy	70
5,234	Stanground Academy	527
1,132	Fulbridge Academy Extension	2,282
3,590	All Saints Primary School	-
2,692	City of Peterborough Academy	-
4,886	Thomas Deacon KS2	1,047
-	City Centre Conservation	125
-	West Town Primary Academy	421
-	St. Botolph's School	409
1,025	Other Schools Expenditure	62
376	Other Expenditure	98
<u>25,209</u>	<b>Total</b>	<u>9,018</u>

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'.



2013/14 £000	Reconciliation of Grant Funding Applied to Capital Financing	2014/15 £000
17,545	Grants Received in year (Note 12)	29,675
-	Grants Received in year not applied in year	(669)
111	Grants Applied from Capital Grants Unapplied Account	539
	<b>Grants used to Fund Revenue Expenditure Funded from Capital under Statute:</b>	
9,594	In Year	6,013
12	Applied from Capital Grants Unapplied Account	3
<b>27,262</b>	<b>Total Grants &amp; Contributions applied</b>	<b>35,561</b>

2013/14 £000	Body of Grant Funding Applied	2014/15 £000
98	Big Lottery Fund	-
757	Department for Communities & Local Government	728
5,295	Department for Transport	11,507
16,506	Department of Education	20,135
2	Department of Health	530
27	English Partnerships	59
22	Natural England	-
-	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	1,268
<b>22,707</b>	<b>Total Grants Applied</b>	<b>34,227</b>
4,338	Section 106 Contributions	669
217	Third Party Contributions	665
<b>4,555</b>	<b>Total Contributions applied</b>	<b>1,334</b>
<b>27,262</b>	<b>Total Grants &amp; Contributions applied</b>	<b>35,561</b>

## 26 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 three schools has transferred to Academy status therefore in line with CIPFA/ Audit Commission guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £25.1m (£25.7m 2013/14).

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 2015 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
<b>Payable:</b>				
In 2015/16	1,408	2,731	3,902	8,041
Within two to five years	4,259	9,206	19,547	33,012
Within six to ten years	5,157	9,054	29,128	43,339
Within 11 to 15 years	8,353	8,073	29,496	45,922
Within 16 to 20 years	10,853	4,618	33,375	48,846
Within 21 to 25 years*	5,500	(182)	19,277	24,595
<b>Total</b>	<b>35,530</b>	<b>33,500</b>	<b>134,725</b>	<b>203,755</b>

\*The positive interest in years 21 to 25 is a product of the calculation within the model of the contingent rents that are charged to interest. In practice the contingent rents are higher than calculated within the model and there will be a net payable for those years.

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 2014		31 March 2015
£000		£000
(38,475)	Balance brought forward	(37,018)
1,457	Lease liability redemption in the year	1,488
<u>(37,018)</u>	<b>Value of Total Liability carried forward</b>	<u><b>(35,530)</b></u>
(1,488)	Short Term Liability	(1,408)
<u>(35,530)</u>	Long Term Liability	<u>(34,122)</u>
<u>(37,018)</u>	<b>Value of Total Liability carried forward</b>	<u><b>(35,530)</b></u>

## 27 Council Leasing Arrangements

### Council as Lessee - Finance Leases

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

31 March 2014		31 March 2015
£000	Council as Lessee - Finance Leases	£000
2,564	Other Land & Buildings	2,303
<u>2,744</u>	Vehicles, Plant Furniture & Equipment	<u>2,376</u>
<u>5,308</u>	<b>Total</b>	<u><b>4,679</b></u>

Two land leases held on 999 year leases, two school leases for 125 years, a retail property held on a 99 year lease, a pavilion and a bus shelter 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 in the table above.

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

31 March 2014		31 March 2015
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000
574	Current	583
4,430	Non-current	4,077
20,529	Finance costs payable in future years*	20,219
<u>25,533</u>	<b>Minimum lease payments</b>	<u><b>24,879</b></u>

\* Non-Peppercorn leases range from one to 104 years

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

31 March 2014			31 March 2015	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
953	574	Not later than one year	965	583
2,896	1,594	Later than one year & not later than five years	2,841	1,556
21,684	2,836	Later than five years *	21,073	2,521
<b>25,533</b>	<b>5,004</b>	<b>Total</b>	<b>24,879</b>	<b>4,660</b>

\* Non-Peppercorn leases range from one to 104 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 2015 the minimum payments expected to be received under these sub-leases was £274k (£288k in 2013/14).

### Council as Lessee - Operating Leases

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

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

31 March 2014		31 March 2015	
£000	Council as Lessee - Operating Leases	£000	
1,149	Not later than one year	877	
4,495	Later than one year & not later than five years	3,134	
8,875	Later than five years	8,323	
<b>14,519</b>	<b>Total</b>	<b>12,334</b>	

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 2014		31 March 2015	
£000	Council as Lessee - Operating Leases	£000	
1,079	Minimum lease payments	1,166	
-	Contingent rents	-	
(398)	Sublease payment receivable	(185)	
<b>681</b>	<b>Total</b>	<b>981</b>	

### 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. 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 2014		31 March 2015	
£000	Council as Lessor - Operating Leases	£000	
3,473	Not later than one year	2,788	
8,815	Later than one year & not later than five years	11,895	
36,804	Later than five years*	44,775	
<b>49,092</b>	<b>Total</b>	<b>59,458</b>	

\* Above operating leases range from five to 112 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.

### 28 Financial Instruments

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

2013/14		2014/15	
£000	Financial Assets	£000	
144	Interest income	198	
66	Impairment adjustment	41	
<b>210</b>	<b>Total for Financial Assets (Note 10)</b>	<b>239</b>	
<b>Financial Liabilities</b>			
(3,401)	Interest payable relating to PFI	(3,321)	
(7,803)	Interest payable on borrowings	(9,912)	
<b>(11,204)</b>	<b>Total for Financial Liabilities (Note 10)</b>	<b>(13,233)</b>	
<b>(10,994)</b>	<b>Net expenditure for the year</b>	<b>(12,994)</b>	

The debtors figure (£2,993k) in the following table includes a long term debtor for the Local Authority Mortgage Scheme (LAMS). In December 2011 the Council advanced £1m with a further £1m in July 2013 to Lloyds Banking Group as part of this scheme. LAMS is aimed at supporting 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, interest is payable and received annually on the advance. As at 31 March 2015 the total mortgage approved against the £2m indemnity is £1,890,605 (£1,890,781 as at 31 March 2014).

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

<b>Financial Instruments Balances</b>	<b>31 March</b>	<b>Long Term £000</b>	<b>Current £000</b>
Investments - Loans & Receivables	2015	45	59
	2014	30	47
Debtors - Loans & Receivables	2015	2,993	21,650
	2014	2,596	23,283
Borrowings - Financial Liabilities at Amortised Cost	2015	(271,254)	(37,524)
	2014	(192,478)	(63,600)
Other Long Term Liabilities - PFI & Finance Lease Liabilities	2015	(38,349)	-
	2014	(40,112)	-
Creditors - Financial Liabilities at Amortised Cost	2015	(27)	(14,858)
	2014	(256)	(12,049)

## 29 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB interest rates for new loans at 31 March 2015 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:

<b>Fair Value of Assets and Liabilities Carried at Amortised Cost</b>	<b>31 March</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
Loans & Receivables	2015	21,754	21,754
	2014	23,360	23,360
Long Term Debtors	2015	2,993	2,993
	2014	2,596	2,596
Financial Liabilities	2015	(323,636)	(374,142)
	2014	(268,127)	(271,252)
Long Term Creditors	2015	(38,376)	(52,326)
	2014	(40,368)	(50,232)

The Fair Value of the financial liabilities in 2014/15 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. See Note 30 for explanation of Market Risk.

## 30 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

### **Credit risk**

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

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

The 2014/15 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and 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

£100m of the total amount deposited in the highest rated category. The main credit rating agencies intend to change the methodology for assessing financial institutions during 2015/16. The credit element of the future methodology will focus solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.

- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. 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 £50m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK 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 Conduct Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Capita Asset Services.

Customers for 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 had a total of £8.9m deposited with UK banks at 31 March 2015. The full amount is potentially exposed to credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more



difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of irrecoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2015.

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 amounts, and current carrying value following impairment adjustments required from improved recovery rates.

<b>Icelandic Investments</b>	<b>Kaupthing Singer &amp; Friedlander</b>	<b>Heritable</b>
Date Invested	03/04/07	02/04/07
Interest Rate	5.90%	6.07%
Claim Amount (£000)	2,061	1,031
Total dividends received (£000)	(1,700)	(970)
Total received of allowable claimed amount	82.5%	94.0%
Expected Recovery Rate (p in the £)	85 – 86.5	98 - 100

The Council has received a further dividend relating to the investment with Kaupthing Singer & Friedlander (KSF) during 2014/15. The expected recovery rate is now 85p to 86.5p in the £ as at 7 April 2015, (85.25p 2013/14). The impairment on this investment has been revised to reflect this update. It is expected that a further 0.5p in the £ will be received in August 2015.

The Administrators for Heritable Bank (Ernst & Young) issued a 'final' dividend during 2013/14 stating that no further dividends would be paid, therefore the Council made no further allowance in the accounts for recovery beyond the 94% received. An updated 'Progress Report to Creditors' issued by Ernst & Young on 21 May 2015 stated that the recovery rate is now expected to

be 98p to 100p in the £. As a result the Council has recognised a debtor for the revised recoverable amount.

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

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. 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.

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

<b>2013/14</b>	<b>Age of Trade Debt</b>	<b>2014/15</b>
<b>£000</b>		<b>£000</b>
13,967	Less than three months	6,384
1,871	Three to six months	857
1,042	Six months to one year	1,417
3,614	More than one year	5,122
<b>20,494</b>	<b>Total</b>	<b>13,780</b>

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loans Board (PWLb) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.



The Council's strategy to reduce this risk is to spread the profile of maturing loans across a period of 50 years, to ensure that a large number do not all mature in the same year. The Council's cashflow is forecast, in detail, for up to 12 months ahead and more broadly for the succeeding nine years.

The maturity analysis of financial liabilities is as follows:

2013/14 £000	<b>Maturity analysis of financial liabilities</b>	2014/15 £000
(63,600)	Less than one year	(37,524)
(19,272)	Between one and two years	(11,616)
(30,728)	Between two and five years	(31,093)
(182,846)	Between five and fifty years	(266,921)
<b>(296,446)</b>	<b>Total</b>	<b>(347,154)</b>

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

### Market risk

#### Interest rate risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2015, 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 £50.6m (see Note 28) 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.

## 31 Inventories

31 March 2014	Inventories	31 March 2015
£000		£000
211	Westcombe Industries Stock	224
77	Other Stock Balances	72
<u>288</u>	<b>Total</b>	<u>296</u>

## 32 Debtors

31 March 2014	Debtors	31 March 2015
£000	(Each item is net of impairment)	£000
6,977	Central Government Departments	4,950
2,354	Cross Keys Homes	2,090
6,339	Council Tax Arrears	7,708
8,533	NDR Arrears	9,584
3,403	Payments in Advance	4,165
28,834	General Debtors	21,579
<u>56,440</u>		<u>50,076</u>
14	Outstanding Balances on Loans Granted Loans to Employees (Car Purchase)	8
<u>56,454</u>	<b>Total Debtors</b>	<u>50,084</u>

## 33 Creditors

31 March 2014	Creditors	31 March 2015
£000		£000
(632)	Council Tax Overpaid	(707)
(2,363)	NDR Overpaid	(1,674)
(1,128)	NDR Prepaid	(1,040)
(8,053)	NDR Preceptors	(10,512)
(10,874)	Deposits / Receipts in Advance	(13,423)
(3,489)	Accrual Accumulated Absences (Note 16)	(3,236)
(45,903)	General Creditors	(47,775)
<u>(72,442)</u>	<b>Total Creditors</b>	<u>(78,367)</u>

### 34 Provisions

Provision Description	31 March 2014	Additional Provision	Payment from Provision	Released back to CIES	31 March 2015
	£000	£000	£000	£000	£000
<b>Short Term Provisions</b>					
<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.	(901)	(249)	452	(97)	(795)
<u>Payroll</u> - Redundancy related payments, regarding decisions made in 2014/15 but which will be paid in 2015/16	(123)	(75)	78	45	(75)
<u>Charges from suppliers which are uncertain or in dispute</u> - These represent charges from suppliers that are of an uncertain amount	(555)	(179)	95	70	(569)
<u>Legal/Grant Penalty Payment</u> - Under the terms of a Grant that has been received in full, there was a possibility that the Council may have to repay a proportion under penalty clauses. However, due to the time that has lapsed the Council is no longer liable to repay any grant amounts.	(240)	-	-	240	-
<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	(200)	-	45	-	(155)
<u>Carbon Reduction Commitment Scheme (CRC)</u> – Phase one of this scheme has now finished and so this provision is no longer required.	(262)	-	262	-	-
<u>Non Domestic Rate Appeals Provision</u> – See Collection Fund for further details	(4,180)	(2,371)	1,310	-	(5,241)
<b>Total Short Term Provisions</b>	<b>(6,461)</b>	<b>(2,874)</b>	<b>2,242</b>	<b>258</b>	<b>(6,835)</b>
<b>Long Term Provisions</b>					
<u>Insurance Claims</u> – see above comments	(465)	(141)	238	(51)	(419)
<b>Total Long Term Provisions</b>	<b>( 465)</b>	<b>( 141)</b>	<b>238</b>	<b>( 51)</b>	<b>( 419)</b>
<b>Total Short and Long Term Provisions</b>	<b>(6,926)</b>	<b>(3,015)</b>	<b>2,480</b>	<b>207</b>	<b>(7,254)</b>

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### 35 Capital Grants Receipts in Advance

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

31 March 2014 £000	Capital Grants Receipts in Advance	31 March 2015 £000
(3,729)	Department of Education	(559)
(1,067)	Department for Transport	(1,212)
(764)	Homes and Communities Agency (HCA)	(576)
(20)	Other Third Party Contributions	(103)
(427)	Department of Health	(427)
(673)	GCGPP Local Enterprise Partnership	-
(13,529)	Section 106 Contributions	(14,873)
<b>(20,209)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(17,750)</b>

### 36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(217)	Interest Received	(132)
11,996	Interest Paid	12,930

### 37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2013/14 £000		2014/15 £000
63,303	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	99,068
-	Purchase of Short-Term & Long-term Investments	-
27,083	Other Payments for Investing Activities	10,360
(2,586)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(1,740)
(275)	Proceeds from Short-Term & Long-Term Investments	(16)
-	Other Receipts from Investing Activities	-
<b>87,525</b>	<b>Net cash flows from investing activities</b>	<b>107,672</b>

### 38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2013/14 £000		2014/15 £000
(45,093)	Cash Receipts of Short & Long Term Borrowing	(94,000)
-	Other receipts from Financing Activities	-
1,778	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,668
-	Repayments of Short- & Long-Term Borrowing	-
(4,161)	Other Payments for Financing Activities	(572)
<b>(47,476)</b>	<b>Net cash flows from financing activities</b>	<b>(92,904)</b>

### 39 Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The 'Bank Current Accounts' line includes payments that have not yet cleared in the actual bank accounts.

2013/14		2014/15
£000		£000
8,800	Short Term Cash Investments	8,900
69	Petty Cash & Imprest	67
(6,080)	Bank Current Accounts	(1,097)
<b>2,789</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>7,870</b>

### 40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2015 was £37,465 (£82,508 at 31 March 2014). 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 £63,224 at 31 March 2015 (£158,195 at 31 March 2014) all invested internally. The Council was holding a larger balance as at 31 March 2014 due to temporarily holding funds from the sale of a property.

The Council also has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 176 adults and older people (158 at 31 March 2014). The total Client funds at 31 March 2015 was £1.2m (£1.3m at 31 March 2014).

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including

Peterborough Museum and art Gallery were transferred to Vivacity. However the Council remains sole Trustee.

These Trust Funds are not included in the Council's balance sheet. The individual funds have not been subject to a separate audit. However, they have been considered in overall terms, in the context of those materiality levels which apply to the Council's financial statements.

### 41 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. For example land transferred to the Council from the Homes and Communities Agency (formerly known as the Housing Corporation).
- Municipal Mutual Insurance (MMI) – In 1992/93 the Council's insurers, MMI ceased taking new business and are now being

managed under a “scheme of arrangement”. The amount paid to the Council under this arrangement was £316,000. The Council has been asked to repay a proportion of the above amount which has been accounted for in 2012/13 accounts, but further amounts which cannot be quantified at this stage may be demanded from the Council in the future. There is an element of coverage for this within the Insurance Reserve.

- 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 terms 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.

#### **42 Accounting Standards that have been Issued but have Not Yet Been Adopted**

The standards which have been introduced by the 2015/16 Code are not anticipated to have a material impact on the Council's financial statements, but rather disclosure narratives will be enhanced, and will be effective from 1 April 2015 are as follows:

- IFRS 13 Fair Value Measurement – this is a new standard that requires the Council to measure its assets and liabilities, and provide disclosures where the Code requires or permits fair value measurement. The measurement requirements for operational property, plant and equipment will not be subject to change and will be subject to the overarching concept of current value. However, disclosures about valuation are to be enhanced. Investment assets and all other surplus assets, which are currently measured at existing use valuation, will be required to be measured at fair value, again with new disclosure requirements. Any amendments due to the adoption of this IFRS will be prospective and therefore it is not anticipated that a third balance sheet will need to be presented.
- IFRIC 21 Levies – is where a Government may impose a levy on an entity. It is anticipated that this change will have no material impact on the Council's financial statements.



- Annual Improvements to IFRSs – is a process to deal efficiently with a collection of narrow scope amendments to IFRSs and focus on areas of inconsistency in IFRSs or where clarification of wording is required. The amendments are clarifying or correcting in nature, and do not propose new principles or changes to existing ones. The issues included in this cycle will not have a material impact on the Council's financial statements:
  - IFRS 1: Meaning of effective IFRSs,
  - IFRS 3: Scope exceptions for joint ventures,
  - IFRS13: Scope of paragraph 52 (portfolio exception),
  - IAS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

#### 43 Critical Judgement in Applying Accounting Policies

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

- Despite the Council putting in extensive plans to deal with the initial grant reductions in the preceding years and being able to balance the 2014/15 budget, there is an unprecedented grant reduction in 2015/16 which all councils will need to deliver against. At this stage, there is the necessity for the Council to put in place transformational change to future service delivery. The Council is also mindful of the additional second budget due on the 8 July 2015, which is likely to have a further impact on the Council's funding as the new government implements commitments outlined in its election campaign. The impact of grant reductions and pressures arising from increased population and the economic growth

forecasts present the Council with challenging circumstances. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies at this time.

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further five transferring status during 2014/15, 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 as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See table below for analysis of the type of schools in Peterborough and its surrounding area.

Type of School	Community	Controlled	Aided	Foundation Trust	Academies	Total
Nursery	1	-	-	-	-	1
No. of Primary Schools	34	5	7	1	10	57
No. of Secondary Schools	1	-	1	1	8	11
No. of All through Schools	-	-	-	-	1	1
No. of Special Schools	4	-	-	-	1	5
<b>Total</b>	<b>40</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>20</b>	<b>75</b>

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council treats this expenditure as Revenue Expenditure Funded from



Capital Under Statute (REFCUS). This results in the capital expenditure being shown in the Comprehensive Income and Expenditure Statement in the period in which it is incurred with a corresponding entry made from the Capital Adjustment Account, which is an unusable reserve, so there is no overall impact to the General Fund balance.

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools which are classed as either voluntary aided or voluntary controlled schools where it was not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2015. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to the governing bodies, the Council has determined that in this case substance should take precedence over form. Therefore the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet.
- The Council participates in the Local Authority Mortgage Scheme (LAMS). In 2011/12 £1m was deposited with Lloyds and a further £1m was deposited during 2013/14. These deposits are treated as capital expenditure as a loan to a third party. This treatment has been determined by reference to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The Council has also obtained legal advice from its own legal advisors and received Legal

Counsel's advice via Capita, its Treasury Advisor, as to the validity of the accounting treatment. The Council recognises there are alternative accounting treatments and will keep its accounting treatment of LAMS under review to ensure that if statute or the CIPFA Code of Practice changes, its accounting treatment of the scheme will comply with those changes.

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at fair value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 46.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 19, page 43.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments. Further information on lease arrangements in place can be found in Notes 26 and 27, pages 48 - 49.

- The Council has four 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 and when consolidated in total, the four entities are not material.
  - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to 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 0.
  - 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 14.
  - Blue Sky Peterborough (BSP) – in 2011/12 the Council established an Energy Services Company, 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 the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.

- Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.

#### **44 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 2015 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £494k for every year that useful life is reduced, which equates to a 2.22% increase in this year's depreciation charge.
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £635k, which is 0.1% of the Council's total asset base. 10% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analyses has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.	The effects on net pensions liability of changes in individual assumptions can be measured. For instance, <ul style="list-style-type: none"> <li>• a 0.5% decrease in discount rate assumption would result in a increase in pension liability of 9% or £56m</li> <li>• a 1 year increase in member life expectancy would result in a increase in pension liability of 3% or £19m</li> <li>• a 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £2m</li> <li>• a 0.5% increase in the pension increase rate would result in an increase in pension liability of 6% or £36m</li> </ul>
Arrears	At 31 March 2015 the Council had a balance of £12.2m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 23% or £2.8m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, an additional contribution of £279k would be set aside as allowance. If 10% of the debt portfolio was one year older, a contribution of £159k would be set aside as additional allowance.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date.	There are different classes of business, each of which have had historically different success rates of appeal. If reduction in rateable value for each appeal class was 1% more than currently estimated the appeals provision would need to be increased by £597k. This equates to a 14% increase in the estimated provision held in the Council's Balance Sheet.

#### 45 Prior Period Adjustment

##### Restated School Asset Balances

The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions, and consolidation issues relating to schools. This has resulted in the Council amending its accounting policies in relation to Foundation Schools such that property, plant and equipment of Jack Hunt Secondary School and Orton Wistow Primary School are now included in the Council's balance sheet. The accounting treatment has not changed for Voluntary Aided and Voluntary Controlled schools with their financial information consolidated into the Council's accounts on the same basis as previous years.

A further element of the clarification regarding accounting treatment for the recognition of schools' transactions has been for private funds held by schools. An analysis of the element of 'control' over these funds has been performed and concluded that the school does have significant control over how and when some of these funds are spent and thus fall into the remit of

subsidiary accounting and thus should be consolidated into the Council's accounts.

Presentational adjustments have been made for Impairment of Current Debtors and Disposal of Subsidiary Assets. Clarification of where such costs should be shown in the Comprehensive Income and Expenditure Statement has been provided, and these adjustment enable better comparison of costs between years. Similarly other minor presentational adjustments relating to the Non-Domestic Rates levy, Trading Units, and Section 31 grant have also be made to previous year figures in order to aid comparability between years and thus make it more meaningful to the reader of the accounts.

The following table shows the difference between the amounts presented in 2013/14 financial statements and the equivalent amounts presented in the 2014/15 financial statements.

Prior Period Adjustments	2013/14 Statements	Schools Adjustment	School Private Funds	Impairment Current Debtors	Disposal of Subsidiary Assets	Other Adjustments	2013/14 Restated
	£000	£000	£000	£000	£000	£000	£000
<b>Cost of Services</b>	179,220	349	(10)	(984)	-	(28)	178,547
Other Operating Income & Expenditure	14,066	-	-	-	(11,799)	-	2,267
Financing & Investment Income & Expenditure	21,100	-	-	984	11,799	(58)	33,825
Taxation & Non-specific Grant Income	(169,440)	(414)	-	-	-	86	(169,768)
<b>(Surplus)/Deficit on Provision of Services</b>	44,946	(65)	(10)	-	-	-	44,871
Surplus on Revaluation of Non-Current Assets	(11,454)	(2,389)	-	-	-	-	(13,843)
Actuarial gains/losses on Pension Assets/Liabilities	(2,740)	-	-	-	-	-	(2,740)
<b>Other Comprehensive Income &amp; Expenditure</b>	(14,194)	(2,389)	-	-	-	-	(16,583)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>30,752</b>	<b>(2,454)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,288</b>
<b>Balance Sheet</b>							
Long Term Assets	559,100	19,552	-	-	-	-	578,652
Current Assets	59,106	-	472	-	-	-	59,578
Current Liabilities	(142,503)	-	-	-	-	-	(142,503)
Long Term Liabilities	(477,802)	-	-	-	-	-	(477,802)
<b>Net Assets</b>	(2,099)	19,552	472	-	-	-	17,925
Usable Reserves	(35,418)	-	(472)	-	-	-	(35,890)
Unusable Reserves	37,517	(19,552)	-	-	-	-	17,965
<b>Total Reserves</b>	<b>2,099</b>	<b>(19,552)</b>	<b>(472)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,925)</b>

#### 46 Authorisation of the Accounts

The Corporate Director: Resources authorises these accounts to be issued on 29 June 2015.

# The Collection Fund and Notes

31 March 2014	Collection Fund Statement	Notes	31 March 2015		Total
£000			Business Rates £000	Council Tax £000	£000
	<b>Income</b>				
(70,481)	Council Tax Receivable		-	(72,575)	(72,575)
-	Council Tax Annex Grant		-	(1)	(1)
(92,149)	Business Rates Receivable	3	(95,283)	-	(95,283)
(1,163)	Transitional Payment Protection		(277)	-	(277)
	<b>Contribution to Previous Years Deficit:</b>				
(256)	Peterborough City Council	4	-	-	-
(13)	Cambridgeshire & Peterborough Fire Authority		-	-	-
(40)	Cambridgeshire Police Authority		-	-	-
(164,102)	Total Income		(95,560)	(72,576)	(168,136)
	<b>Expenditure</b>				
	<b>Precepts:</b>				
56,971	Peterborough City Council	4	-	58,036	58,036
3,223	Cambridgeshire & Peterborough Fire Authority		-	3,280	3,280
8,925	Cambridgeshire Police Authority		-	9,259	9,259
69,119	Total Precepts		-	70,575	70,575
	<b>Business Rates Share:</b>				
43,130	Peterborough City Council	4	45,234	-	45,234
880	Cambridgeshire & Peterborough Fire Authority		922	-	922
44,011	Central Government (Inc Pooled Fund)		46,157	-	46,157
88,021	Total Business Rates Shares		92,313	-	92,313
	<b>Charges to Collection Fund:</b>				
(52)	Written off Uncollectable Amounts		36	-	36
2,131	Increase / (Decrease) in Bad Debt Provision		1,046	893	1,939
8,530	Increase / (Decrease) in Provision for Appeals	5	2,166	-	2,166
276	Cost of Collection		277	-	277
10,885	Total Charges to Collection Fund		3,525	893	4,418
	<b>Contribution to Previous Year's Estimated Surplus:</b>				
-	Peterborough City Council	4	649	-	649
-	Cambridgeshire & Peterborough Fire Authority		13	-	13
-	Central Government (Inc Pooled Fund)		663	-	663
-	Total Business Rates Shares		1,325	-	1,325
3,923	<b>(Surplus) / Deficit Arising During the Year</b>		<b>1,603</b>	<b>(1,108)</b>	<b>495</b>
	<b>Collection Fund Balance</b>				
403	(Surplus) / Deficit Brought Forward 1 April		4,417	(91)	4,326
3,923	(Surplus) / Deficit Arising During the Year		1,603	(1,108)	495
4,326	<b>(Surplus) / Deficit Carried Forward 31 March</b>		<b>6,020</b>	<b>(1,199)</b>	<b>4,821</b>
	<b>Allocated to:</b>				
2,089	Peterborough City Council		2,950	(986)	1,964
40	Cambridgeshire & Peterborough Fire Authority		60	(56)	4
(12)	Cambridgeshire Police Authority		-	(157)	(157)
2,209	Central Government (Inc Pooled Fund)		3,010	-	3,010
4,326	<b>Total</b>		<b>6,020</b>	<b>(1,199)</b>	<b>4,821</b>



## 1 Collection Fund Overview

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government. The Council, as a billing authority, has a statutory requirement to operate a Collection Fund as a separate account to the General Fund.

There is no requirement for a separate Collection Fund balance sheet. Instead Collection Fund balances are distributed across the balance sheet of the billing authority, the Government and precepting authorities.

## 2 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	33,877	22,585
B	7/9	19,284	14,999
C	8/9	12,933	11,496
D	9/9	7,318	7,318
E	11/9	4,206	5,141
F	13/9	1,818	2,626
G	15/9	897	1,495
H	18/9	69	138
<b>Total</b>		<b>80,402</b>	<b>65,798</b>

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc., and the Council Tax Support Scheme and non-payment which are at the discretion of each council.

The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 51,054 (50,158 for 2013/14).

## 3 Non-Domestic Rates

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government

For 2014/15 the total non-domestic rateable value at the year-end is £231.7m (£230.1m in 2013/14). The national multipliers for 2014/15 were 47.1p for qualifying Small Businesses, with the standard multiplier being 48.2p for all other businesses (46.2p and 47.1p respectively in 2013/14).

## 4 Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below. Further details are also shown in Note 12 of the Notes to the Accounts.

2013/14		NDR	Council Tax	2014/15 Total
£000		£000	£000	£000
(100,101)	Precept / Share	(45,234)	(58,036)	(103,270)
256	Share of Prior Year	(649)	-	(649)
1,755	Estimated Deficit / (Surplus) at 31 March	785	(911)	(126)
<b>(98,090)</b>	<b>Total</b>	<b>(45,098)</b>	<b>(58,947)</b>	<b>(104,045)</b>



## 5 Provision for Appeals

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received.

The new scheme allowed councils to make a provision for appeals lodged by rate payers against their rateable value. As the provision was new in 2013/14, the increase in provision in for the year covered appeals against bills for rates payable from 1 April 2010. The 2014/15 increase in the provision only takes account of appeals against bills raised in 2014/15 and any changes in the assumptions used to calculate the original provision.

The Council has elected to spread the cost of the provision for backdated NDR appeals over 5 years.

# Statement of Accounting Policies

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## General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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 as income and expenditure 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.

## Acquisitions and Discontinued Operations

The Council is required to disclose the income and expenditure of any newly acquired functions on the face of the Comprehensive Income and Expenditure Statement.

Acquired operations are those which the Council has acquired during the accounting period. Examples of acquired operations are:

- Services and/or geographical areas for which responsibility has passed to the authority due to the reorganisation of local government, or

- Services acquired as a consequence of legislation, eg a new statutory responsibility transferred from another entity.

### **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 or 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 (England and Wales). 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 with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Employee Benefits**

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 in the following accounting year, being the period in which the employee takes the benefit. 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 holiday entitlements 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 in exchange for those benefits 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 Pensions 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 schemes 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 Adult Social Care and Public Health for the NHS scheme.

#### *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 pensions liability is analysed into the following components:
  - Service cost comprising
    - current service cost – the increase in liabilities as a 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 as a result of a scheme amendment or curtailment 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
    - net interest on the net defined benefit liability – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the

Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - 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 Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the

beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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 are 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 and / 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 and Expenditure (non ringfenced 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. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. 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 Income and 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 Assets Held for Sale) is written off to the Other Operating Income and 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 (England and Wales) 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 (England and Wales).

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 Income and 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 principles of the CIPFA *Service Reporting Code of Practice 2014/15* (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 continuing 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 administrative 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 the 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 and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the 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 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.

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.

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 an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Assets Held for Sale. The asset is revalued immediately before reclassification 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 Income and 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 Income and 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 various asset lives

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.

Property, plant and equipment assets and long term liabilities remain vested in the governing bodies of voluntary aided/controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided/controlled schools) have not been incorporated into the Council's Balance Sheet.

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

### **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 the 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.

#### Carbon Reduction Commitment Schemes and Other Trading Schemes

The Council is required to participate in the Carbon Reduction Scheme. 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, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The 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.

#### 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)**

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

#### **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

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*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.

*Authority* – A shortened name for ‘Local Council’.

*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, 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 now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in the financial accounts. It is based on the principle of recognising pension costs in the

financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

*Impairment* – 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 1 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.

*Non-Domestic Rates (NDR)* - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property.

*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 – 2014/15



# Annual Governance Statement

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The Annual Governance Statement is being discussed and approved by this Audit Committee on 29 June 2015. The Statement will be included in the final published Statement of Accounts in September 2015.

## 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 John Holdich, Leader of the Council

Date:

