

**PETERBOROUGH**



# Statement of Accounts 2008/09

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

The Head of Strategic Finance

Peterborough City Council

Manor Drive

Paston Parkway

Peterborough

PE4 7AJ

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

Tel: 01733 384564

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

---

# Peterborough City Council

## Statement of Accounts 2008/09

---

### Contents

	Page
Explanatory Foreword.....	1
Independent Auditors' Report to the Members of Peterborough City Council .	6
Statement of Responsibilities .....	9
Statement of Accounting Policies .....	10
Income and Expenditure Account.....	20
Statement of Movement on General Fund Balance.....	21
Statement of Total Recognised Gains and Losses.....	22
Balance Sheet .....	23
Cash Flow Statement.....	24
Notes to the Core Financial Statements .....	25
The Collection Fund and Notes .....	61
Annual Governance Statement.....	63
Glossary.....	84
Your Statement of Accounts .....	88
Index of Notes to the Core Financial Statements .....	89

# Explanatory Foreword

---

## 1 Background

The Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2003 and The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP 2008).

## 2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2008/09. The core financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council's finances
- *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
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
- *Income and Expenditure Account* – reports the income and expenditure for all the Council's services in 2008/09, and demonstrates how that cost has been financed from general government grants and income from taxpayers
- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2009
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2009
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2008/09
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *Notes* and by the *Statement of Accounting Policies*. There is no longer a Housing Revenue Account statement as the Council no longer owns its housing stock.
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.

## 3 Revenue Expenditure

The Income and Expenditure Account on page 20 shows the gross revenue expenditure and income together with net expenditure for 2008/09 compared to the net expenditure for 2007/08. The Income and Expenditure Account is analysed by services as laid down in the Best Value Accounting Code of

Practice (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA).

The Council's organisational structure, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with BVACOP.

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

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

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive	7,918	8,457	539
Assistant Chief Executive	9,679	9,608	( 71)
Children's Services	46,135	46,120	( 15)
City Services	12,218	12,965	747
Environment & Community Services	21,112	21,795	683
Strategic Resources	18,979	16,999	(1,980)
Adult Social Care	38,588	38,544	( 44)
<b>Total Council Expenditure</b>	<b>154,629</b>	<b>154,488</b>	<b>( 141)</b>
Transfers to earmarked reserves			141
<b>Surplus / (Deficit) to General Fund Balance</b>			<b>-</b>
General Fund Balance Brought Forward			6,000
<b>General Fund Balance Carried Forward</b>			<b>12,000</b>

The financing of the Revenue Expenditure was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	8,742
Government Grant (Area Based Grant)	9,444
Distribution from National Non Domestic Rates	62,796
Demand on the Collection Fund	56,846
Reserves	16,801
<b>Total Financing</b>	<b>154,629</b>

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 Council under spent by £0.14m which was transferred to reserves.

#### *Balances*

At the 31 March 2009, the General Fund working balance of the Council stood at £6m, the same as at the end of 2007/08 in line with the Medium Term Financial Strategy recommendation.

The Schools balances totalled £5.6m at the 31 March 2009, compared to £9.5m at 31 March 2008.

#### 4 Capital Expenditure

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

Capital Expenditure	Budget per MTF5 08-10	2008/09 Budget inc. slippage from 2007/08	Revised Budget at Feb. 09	Outturn
	£000	£000	£000	£000
Chief Executives	2	128	128	205
Assistant Chief Executives	14,073	17,864	6,720	5,204
Children's Services	22,692	32,508	26,854	21,600
City Services	1,233	2,305	2,468	2,405
Environment and Community Services	16,435	19,842	18,483	16,025
Strategic Resources	21,026	27,294	11,845	12,096
Adult Social Care	516	651	651	318
<b>Total</b>	<b>75,977</b>	<b>100,592</b>	<b>67,149</b>	<b>57,853</b>
<b>Financed by:</b>				
External Sources	21,681	31,520	34,782	34,334
Capital Receipts	43,428	43,428	5,387	6,548
Borrowing	10,868	25,644	26,980	16,971
<b>Total</b>	<b>75,977</b>	<b>100,592</b>	<b>67,149</b>	<b>57,853</b>

Total spending at £57.9m includes accruals of capital expenditure of £1.7m in accordance with proper accounting practices.

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

#### 5 Collection Fund

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

A total of £58.7m was collectable during the year in respect of Council Tax, together with £82.4m in respect of National Non-Domestic Rates.

The surplus on the Collection Fund was £1.4m which is to be distributed between the Council, the Cambridgeshire Fire Authority and the Cambridgeshire Police Authority.

#### 6 Pensions

The main statements include entries to show the financial position of the Council's share of the Cambridgeshire Pension Fund. This information has been compiled by the Fund's actuary in accordance with Financial Reporting Standard 17: Retirement Benefits (FRS17).

A change to the 2008 SORP means that derivatives and investments are required to be valued on a 'fair value' basis. Where there is an active market for investments, the bid price is usually the appropriate quoted market price. Prior to the 2008 SORP the mid-market price was used as the basis for valuing

investments. This change has resulted in the Pension liability increasing by £1.054m in the Council's accounts.

Based on the information supplied by the actuary in compliance with FRS 17, the calculated deficit on the Fund has increased significantly during 2008/09 from the £62.7m in 2007/08 to £92.0m. The change of £29.3m is largely the result of a change in the financial assumptions used by the actuaries in estimating the liabilities at 31 March 2009, compared to those used at 31 March 2008.

The Council's employer's contribution to the Fund was 15.3% in 2008/09. This percentage was reviewed as part of the triennial actuarial valuation in March 2007. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

## 7 External Borrowings & Investments

At 31 March 2009, the Council had net borrowings including cash and outstanding interest of £87.8m (£78.6m in 2007/08).

2007/08		2008/09
£000		£m
(141.3)	Borrowing*	(136.3)
62.7	Investments	48.5
<b>(78.6)</b>	<b>Net Borrowing</b>	<b>(87.8)</b>

\*New borrowing was £2m, and £6.7m rescheduled (£25m in 2007/08)

## 8 Icelandic Banks

The Council had a total of £3m invested in two Icelandic owned banks which went into administration in October 2008. The investment has been impaired to make its value equal to that expected to be received from the administrators, which is 70p to 80p in the £ for Heritable Bank, and a minimum of 50p in the £ for Kaupthing Singer & Friedlander. Further details can be found in Notes 4 and 31.

## 9 Conclusion

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

The financial pressures facing the Council continue to be challenging, with the impact of the recession and credit crunch, along with service departments continuing to be under increasing resource pressure because of the increased demands on services for Children and Adults, as well as on concessionary fares.

The underlying financial health of the Council has again been maintained in the year. However, services will continue to face financial pressures from rising demand for services and from the need to meet key government targets. The Medium Term Financial Strategy 2008-2011 (MTFS) includes a challenging efficiency agenda. This is required in order to maintain a low Council Tax increase whilst ensuring that front line services receive an appropriate level of funding and that the Council can continue with its ambitious growth agenda. A three year settlement was announced in December 2007 which means that the Council has more certainty over levels of funding for the period of the MTFS than previously.

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

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

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

John Harrison  
Executive Director of Strategic Resources



# Independent Auditors' Report to the Members of Peterborough City Council

---

## **Opinion on the financial statements**

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

## **Respective responsibilities of the Chief Financial Officer and auditor**

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for Peterborough City Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure and cashflows for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the Peterborough City Council website is the responsibility of the council; the work carried out by the auditors does not involve

consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

### **Opinion**

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure and cash flows for the year then ended.

### **PricewaterhouseCoopers LLP**

80 Strand  
London  
WC2R 0A

Date:

---

---

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

### ***Authority's Responsibilities***

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

### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Peterborough City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

### ***Certificate***

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

### **PricewaterhouseCoopers LLP**

80 Strand  
London  
WC2R 0A

Date:

---

---

# Statement of Responsibilities

---

## The Council's Responsibilities

The Council is required to:

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

## Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2009 was approved at the meeting of the Audit Committee on 29 June 2009.

Signed on behalf of Peterborough City Council:

Chairman of meeting approving the accounts: \_\_\_\_\_

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

## The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 10 to 62 present fairly the financial position of the Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Executive Director of Strategic Resources \_\_\_\_\_

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

# Statement of Accounting Policies

---

## **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year end 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP 2008). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## **Accruals of Income and Expenditure**

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

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

## **Contingent Liabilities**

Contingent liabilities are not shown in the accounting statements, but are disclosed by way of notes where there is a possible obligation which may require a payment or a transfer of economic benefits. Details are shown in Note 50.

## **Government Grants and Contributions**

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

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

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

## **Financial Liabilities**

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

Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

For three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Statement of the Movement on the General Fund Balance. The carrying amount in the Balance Sheet for all loans includes any outstanding payments or accruals at the end of the year. Previously, these accruals would have been shown within creditors.

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

## **Financial Assets**

Financial assets are classified into two types:

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

### *Loans and Receivables*

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. The carrying amount for the loan includes any interest due but not yet paid, which would previously have been shown as a debtor.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

### *Available-for-sale Assets*

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

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

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

### **Intangible Fixed Assets**

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

### **Leases**

#### *Finance Leases*

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

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

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

#### *Operating Leases*

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



over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council's leasing activities are detailed in Notes 38 and 39.

#### *Council acting as the Lessor*

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

#### **Overheads and Support Services**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the Best Value Accounting Code of Practice 2008 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

#### **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

#### *Prepayments*

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment.

The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on Council Tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.



### *Reversionary Interests*

Where control of certain land and buildings is passed over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interest), an assessment is made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset is created in the Council's Balance Sheet.

As the asset is stated initially at net present value, over the life of the scheme the discount is unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interest reverts to the Council.

### *Residual Interests*

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including nil), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

### *PFI credits*

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

### **Provisions**

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

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

Details are shown in Note 41.

### **Provision for Doubtful Debts**

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

## Reserves

The Council sets aside specific amounts as reserves for future purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions has been approved and further information is given in Note 47. Reserves include earmarked reserves set aside for specific policy purposes (e.g. school balances and insurance reserves), whilst the General Fund balance is held for cash flow purposes and as a contingency. Contributions to and from reserves are not shown in service areas, they are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Expenditure to be financed from reserves is charged to the appropriate service area in that year to score against the Net Cost of Service in the Income and Expenditure Account, and therefore still appears as part of the cost of the relevant service.

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

## Retirement Benefits

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

- The Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF)
- The Local Government Pensions Scheme, administered by Cambridgeshire County Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's service's revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

### *The Local Government Pension Scheme*

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

- The liabilities of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices based on the indicative rate of return on a high quality corporate bond as identified by the actuary.
- The assets of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to

the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – recognised in the Income and Expenditure Account in Net Operating Expenditure line.
- gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Statement of Total Recognised Gains and Losses
- contributions paid to the Cambridgeshire Pension Fund – cash paid as employer’s contributions to the pension fund.

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

#### *Discretionary Benefits*

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

#### *Valuation of Derivatives and Investments*

As per the revised Pension SORP, published in July 2007, derivatives are now valued on a fair value basis. Investments are also valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price; prior to the 2008 SORP the mid-market price was used as the basis for valuing investments.

#### **Revenue Expenditure Funded from Capital under Statute**

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

#### **Stocks and Work In Progress**

Stock levels are reviewed during the course of the year and any obsolete items are written off. Stocks are included in the accounts at average cost price.

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

### **Tangible Fixed Assets**

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

#### *Recognition*

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

#### *Measurement*

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

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

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

All fixed assets are shown net of depreciation, the basis of which is set out in Note 21.

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

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

#### *Impairment*

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

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

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

#### *Disposals*

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are recognised in the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing 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 Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

#### *Depreciation*

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

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

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

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

### *Grants and contributions*

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

### *Charges to Revenue for Fixed Assets*

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

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

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

### **Value Added Tax (VAT)**

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



## Income and Expenditure Account

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

2007/08			2008/09		
Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	Service Expenditure		£000	£000	£000
2,031	Central Services to the Public		4,360	(1,466)	2,894
247	Court Services		283	-	283
41,951	Cultural, Environmental, Regulatory & Planning Services	1	61,198	(16,824)	44,374
71,903	Children's & Education Services	2	223,294	(162,369)	60,925
17,670	Highways, Roads & Transport Services		22,211	(7,510)	14,701
2,215	Housing Services	5	71,651	(68,992)	2,659
34,470	Adult Social Care	3	47,110	(8,274)	38,836
-	Exceptional costs – Icelandic Banks	4	1,516	-	1,516
2,167	Corporate & Democratic Core	6, 7	8,473	(5,120)	3,353
18,204	Non Distributed Costs		7,280	(298)	6,982
<b>190,858</b>	<b>Net Cost of Services</b>		<b>447,376</b>	<b>(270,853)</b>	<b>176,523</b>
	<b>Other Operating Costs</b>				
(455)	Loss / (Gain) on disposal of fixed assets		1,767	(3,925)	(2,158)
(3,094)	Gain on Right to Buy Receipts		-	(1,278)	(1,278)
268	Parish Council Precepts		287	-	287
489	Drainage & Flood Levies		515	-	515
5,152	Deficit / (Surplus) on Trading Undertakings	5, 8	19,131	(8,498)	10,633
6,163	Interest Payable & Similar Charges		6,117	-	6,117
20	Contribution of Housing Capital Receipts to Government Pool		5	-	5
(3,948)	Interest and Investment Income		-	(3,691)	(3,691)
661	Pension Interest & Expected Return on Assets	9	3,969	-	3,969
<b>196,114</b>	<b>Net Operating Expenditure</b>		<b>479,167</b>	<b>(288,245)</b>	<b>190,922</b>
	<b>Sources of Finance</b>				
(12,013)	General Government Grants	10			(19,451)
(55,183)	Distribution from national non-domestic rates				(62,796)
(56,026)	Demand on Collection Fund				(56,846)
<b>72,892</b>	<b>Total: Deficit / (Surplus) for the year</b>				<b>51,829</b>

## Statement of Movement on General Fund Balance

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

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

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

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

2007/08 £000		Note	2008/09 £000
72,892	(Surplus) / Deficit on the Income & Expenditure Account for the year		51,829
(73,958)	Net contribution to / from the General Fund Balance for the year	16	(47,921)
(1,066)	(Increase) / Decrease in General Fund Balance for the Year		3,908
(14,420)	General Fund Balance brought forward		(15,486)
(15,486)	General Fund Balance carried forward		(11,578)
9,486	Amount of General Fund Balance held by Governors under schemes to finance schools	17	5,578
6,000	Amount of General Fund Balance generally available for new expenditure		6,000
15,486			11,578



## Statement of Total Recognised Gains and Losses

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

2007/08 £000	Note	2008/09 £000
72,892		<b>51,829</b>
(51,002)		(22,579)
(33,903)	9	25,423
930		(1,182)
7,473		-
<b>(3,610)</b>		<b>53,491</b>

# Balance Sheet

31 March 2008			Notes	31 March 2009	
£000	£000			£000	£000
1,673	1,673	<b>Intangible Fixed Assets</b>	18	1,939	1,939
		<b>Tangible Fixed Assets</b>	19-27		
		<i>Operational Assets</i>			
211,608		Other Land and Buildings		219,571	
12,655		Vehicles, Plant and Equipment		13,402	
87,209		Infrastructure Assets		96,765	
2,631		Community Assets		2,836	
		<i>Non-operational Assets</i>			
51,415		Investment Properties		55,819	
15,222		Surplus Assets		10,398	
11,233	391,973	Assets under Construction		9,453	408,244
	393,646				410,183
		<b>Other Long Term Assets</b>			
8,326		Long-Term Investments	28	7,205	
3,836		Long-Term Debtors	28	2,135	
28,477	40,639	PFI Deferred Consideration	32	29,305	38,645
	434,285				448,828
		<b>Current Assets</b>			
581		Stocks and Work in Progress	34	555	
53,714		Debtors	35	37,366	
54,331		Short Term Investments	28	41,290	
-	108,626	Cash and Bank	28	1,333	80,544
	542,911				529,372
		<b>Current Liabilities</b>			
(25,546)		Short Term Borrowing	28	(18,345)	
(71,484)		Creditors	36	(78,289)	
(4,079)	(101,109)	Cash & Bank	28	-	(96,634)
	441,802	<b>Total Assets Less Current Liabilities</b>			<b>432,738</b>
(115,778)		Long Term Borrowing	28	(117,939)	
(1,072)		Long Term Liability	37	(1,035)	
(62,709)		Pension Fund Liability	9	(92,007)	
(75,549)		Grants and Contributions Deferred	40	(87,994)	
(1,657)	(256,765)	Provisions	41	(2,217)	(301,192)
	185,037	<b>Total Assets less Liabilities</b>			<b>131,546</b>
	44,981	Revaluation Reserve	42		66,378
	164,050	Capital Adjustment Account	43		134,311
	10	Usable Capital Receipts	44		-
	600	Deferred Capital Receipts	45		595
	(524)	Financial Instrument Adjustment Account	46		(1,855)
	23,137	Specific Reserves	47		11,358
	(62,709)	Pension Fund Reserve	9		(92,007)
	9,486	School Balances	17		5,578
	6,000	General Fund Balance			6,000
	6	Collection Fund Balance			1,188
	185,037	<b>Total Net Worth</b>			<b>131,546</b>

# Cash Flow Statement

This accounting statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes in respect of the Council as a whole. It therefore excludes internal transfers between accounts for items such as recharges between departments. See Note 48 for details.

2007/08			2008/09	
£000	£000		£000	£000
		<b>Revenue Activities</b>		
		Cash Outflows:		
177,665		Employees	185,101	
10,937		Major Precepts	11,460	
250,922		Other Operating Costs	234,131	
75,826		NNDR Pool Payment	80,285	
48		Capital Receipts Pooling	5	
45,519	560,917	Housing Benefit Paid	48,241	559,223
		Cash Inflows:		
(4,804)		Rents	(4,824)	
(56,921)		Council Tax Income	(57,950)	
(55,183)		Non Domestic Rate Income from Pool	(62,796)	
(9,261)		Revenue Support Grant	(8,742)	
(53,891)		DWP Grants for Rebates	(61,144)	
(173,707)		Other Government Grants	(188,581)	
(37,576)		Cash for Goods and Services	(33,839)	
(69,752)		NNDR Income	(79,399)	
(87,024)	(548,119)	Other Operating Cash Receipts	(76,224)	(573,499)
	12,798	<b>Net Revenue Activities</b>		<b>(14,276)</b>
		<b>Servicing of Finance</b>		
		Cash Outflows:		
5,426		Interest Paid	6,143	
2		Interest on Finance Leases	1	
(3,675)		Cash Inflows:		
		Interest Received	(4,065)	
	1,753	<b>Net Servicing of Finance</b>		<b>2,079</b>
		<b>Capital Activities</b>		
		Cash Outflows:		
50,458		Purchase of Fixed Assets	40,405	
17,574		Other Capital Cash Payments	16,748	
2,863		Long Term Investments	-	
(11,655)		Cash Inflows:		
(6,054)		Sale of Fixed Assets	(7,749)	
(34,869)		Other Capital Cash Receipts	(948)	
		Capital Grants Received	(33,900)	
	18,317	<b>Net Capital Activities</b>		<b>14,556</b>
	32,868	<b>Net Cash (Inflow) / Outflow before Financing</b>		<b>2,359</b>
		<b>Management of Liquid Resources</b>		
(2,250)		Net (increase) / decrease in Short Term Deposits	(11,893)	
3,000		Net (increase) / decrease in Long Term Deposits	(1,018)	
		<b>Financing</b>		
		Cash Outflows:		
-		Repayment of Amounts Borrowed	13,885	
11		Capital Element of Finance Leases	12	
		Cash Inflows:		
(25,000)	(24,239)	New Loans Raised	(8,757)	5,140
	8,629	<b>Decrease / (Increase) in Cash</b>		<b>7,499</b>

# Notes to the Core Financial Statements

## 1 The Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

This income and expenditure is shown within Cultural, Environmental and Planning Services line on the Income and Expenditure Account.

2007/08			Service	2008/09		
Chargeable	Non-Chargeable	Total		Chargeable	Non-Chargeable	Total
£000	£000	£000	Expenditure:	£000	£000	£000
304	149	453	Employees	270	165	435
19	10	29	Premises	18	11	29
23	3	26	Transport	19	2	21
30	14	44	Supplies / Services	32	21	53
69	24	93	Support Costs	67	24	91
<b>445</b>	<b>200</b>	<b>645</b>	<b>Total Expenditure</b>	<b>406</b>	<b>223</b>	<b>629</b>
(431)	(37)	(468)	Income	(386)	(28)	(414)
14	126	(291)	<b>Deficit</b>	<b>20</b>	<b>195</b>	<b>215</b>

## 2 Dedicated Schools Grant (DSG)

From 2006/07, the arrangements for government support for the funding of schools changed. Funding for Schools related activities was transferred away from Local Authorities and directed into a specific grant from the Department for Children, Schools and Facilities (DCSF) known as the Dedicated Schools Grant (DSG). This grant has been recognised against the Children's & Education Services line in the Income and Expenditure Account.

In 2008/09, the Council received a DSG allocation of £108,744,000. Details of the deployment of DSG receivable for 2008/09 are shown on the table overleaf.

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

The Central Expenditure overspend of £6k has been carried forward to 2009/10 and will be the first call on the DSG in 2009/10. The Individual Schools Budget element is carried forward as part of individual schools balances.

2007/08		2008/09		
Total	Schools Budget Funded by Dedicated Schools Grant	Central Budget	Individual Schools Budget	Total
£000		£000	£000	£000
(106,402)	Original grant allocated to Schools Budget for the current year in the Council's budget	(13,870)	(94,874)	(108,744)
<b>(106,402)</b>	<b>DSG receivable for the year</b>	<b>(13,870)</b>	<b>(94,874)</b>	<b>(108,744)</b>
104,241	Actual expenditure for the year	14,000	98,782	112,782
(2,161)	Over / (Under)spend for the year	130	3,908	4,038
750	Use of Schools Reserves	-	-	-
1,026	Use of closed school reserves	-	-	-
<b>1,391</b>	<b>Over / (Under)spend carried forward</b>	<b>130</b>	<b>3,908</b>	<b>4,038</b>
(9,225)	Balances carried forward	(124)	(9,486)	(9,610)
<b>(9,610)</b>	<b>Total balances carried forward</b>	<b>6</b>	<b>(5,578)</b>	<b>(5,572)</b>

### 3 Pooled Funds & Similar Arrangements

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

The purpose of the Partnership is to provide a robust framework within which the PPCT is the lead commissioner and integrated provider of Health Services and Social care services for adults in Peterborough. An annual agreement is produced which sets out the Council's contribution to the Pool, the level of performance that the PPCT aims to deliver across a range of ASC performance indicators and key service developments that the PPCT will take forward that are either wholly, or partly, ASC.

The Council's contributions are shown within the Adult Social Care line in the Income and Expenditure Account on page 20. The memorandum account on the following page shows total expenditure and income for the pooled fund.

2007/08		2008/09
£000	Gross Funding	£000
(168,157)	Peterborough PCT	(185,445)
(32,123)	Peterborough City Council Pool Contribution	(36,899)
(4,801)	Peterborough City Council - Grants	(3,136)
(4,284)	Income from other Organisations	(2)
<b>(209,365)</b>	<b>Total Gross Funding</b>	<b>(225,482)</b>
134,354	NHS Commissioning	139,370
67,189	Provision of Services	68,438
10,896	Corporate Services	15,275
1,212	Public Health	1,470
<b>213,651</b>	<b>Total Expenditure</b>	<b>224,553</b>
4,286	Actual Over / (Under) spending	(929)
(4,286)	Overspending met by PPCT non Pooled Slippage	-

#### 4 Exceptional Costs – Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £3m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate	Carrying Amount £000	Impairment £000
Heritable Bank	02/04/07	02/04/09	1,000	6.07%	1,061	326
Kaupthing Singer & Friedlander Ltd	03/04/07	03/04/09	2,000	5.90%	2,118	1,190
<b>Total</b>			<b>3,000</b>		<b>3,179</b>	<b>1,516</b>

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2007/08 £000	Cash Received 2007/08 £000	Credited 2008/09 £000	Cash Received 2008/09 £000
Heritable Bank	61	-	61	61
Kaupthing Singer & Friedlander Ltd	118	-	118	118
<b>Total</b>	<b>179</b>	<b>-</b>	<b>179</b>	<b>179</b>

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, and guidance from CIPFA, the Council has applied an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

##### Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £ by end 2012, with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has, therefore, recognised an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore, in calculating the impairment, the Council has made the following assumptions regarding the timing of recoveries:

- July 2009 – 15%
- July 2010 – 30%
- July 2011 – 15%
- July 2012 – 10%
- July 2013 – 10%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

### **Kaupthing Singer and Friedlander Ltd**

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The first dividend payment of 10p in the £ minimum is due in the summer of 2009. The Council has recognised an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

In calculating the impairment the Council has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 7 October 2008.

### **Impairment Loss**

The calculated impairment loss recognised in the Income and Expenditure Account in 2008/09 is £1.516m and has been treated as an exceptional item. It has been derived by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1.337m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.178m relates to interest which has been borne in full by the General Fund.

## **5 Provision for Bad Debt & Doubtful Debts**

Housing Services and Trading Undertakings lines in the Income and Expenditure Statement include the increases to the general bad debt provision of £200,000 and £150,000 respectively (Corporate & Democratic Core, £154,000 increase in 2007/08).

## **6 Members' Allowances**

Under the Local Authorities (Members' Allowances) (Amendment) Regulations 2003 the Council has to publish within its area the total sums paid to each member of the Council. The total value paid in 2008/09 was £627,814 (£600,668 in 2007/08).



## 7 Audit and Inspection Fees

The following fees were payable arising from the 2008/09 accounts. The inspection fees were payable to the Audit Commission and the audit fees payable to PricewaterhouseCoopers.

2007/08 £000		2008/09 £000
324	Fees payable with regard to external audit services carried out by the appointed auditor	288
51	Fees payable in respect of statutory inspection	25
80	Fees payable for the certification of grant claims and returns carried out by the appointed auditor *	70
26	Fees payable in respect of other services provided by the appointed auditor **	-
<b>481</b>	<b>Total</b>	<b>383</b>

\* The 2007/08 figure stated for Fees payable in relation to the certification of grant claims and returns was estimated. The actual figure was £70,000.

\*\* The other fees payable were in respect of business process mapping and whole of government accounts.

## 8 Trading Operations

Financial results were:

2007/08 Deficit/ (Surplus) Restated £000		2008/09		
		Expenditure £000	Income £000	Deficit/(Surplus) £000
	<b>Properties:</b>			
(1,524)	Industrial	885	(2,153)	(1,268)
(1,491)	Commercial	697	(1,532)	( 835)
(134)	Market	368	(466)	( 98)
<b>(3,149)</b>	<b>Total for Properties</b>	<b>1,950</b>	<b>(4,151)</b>	<b>(2,201)</b>
	<b>City Services</b>			
(124)	Building Cleaning	915	(956)	( 41)
280	Building Maintenance	5,101	(4,986)	115
142	Catering	1,887	(1,584)	303
(63)	Grounds Maintenance	2,752	(2,971)	( 219)
47	Refuse Collection	3,697	(3,586)	111
123	Street Cleaning	2,819	(3,145)	( 326)
(88)	Vehicle Maintenance	1,017	(1,041)	( 24)
2,126	Other	8,399	(5,339)	3,060
-	Inter Departmental Adjustment	(20,385)	20,385	0
<b>2,443</b>	<b>Total for City Services</b>	<b>6,202</b>	<b>(3,223)</b>	<b>2,979</b>
-	<b>Total for Other Traded Services</b>	<b>987</b>	<b>(1,124)</b>	<b>( 137)</b>
<b>(706)</b>	<b>Sub Total</b>	<b>9,139</b>	<b>(8,498)</b>	<b>641</b>
5,858	Capital Charges Adjustment	9,992	-	9,992
<b>5,152</b>	<b>Total</b>	<b>19,131</b>	<b>(8,498)</b>	<b>10,633</b>

In addition to the Market, the Council owns 206 shops, commercial and industrial units throughout the City. Following the introduction of the Best Value regime the requirements to produce accounts under the previous Compulsory Competitive Tendering (CCT) were reviewed. The City Services department, formerly Contract



Services, remains the trading arm of the Council and the contracts awarded were based upon competitive tender with the private sector and as such are included in the previous table. The figures include a final adjustment for inter departmental work which is necessary to avoid double counting within the Income and Expenditure Account.

## 9 Retirement Benefits Local Government Pension Scheme

### Participation in Pension Schemes

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

### Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets have been adjusted with the financial year ended 31 March 2009, resulting in an increase of the pension deficit of £1m. Current and prior year surplus have been unaffected by this change.

### Local Government Pension Scheme

#### Transactions Relating to Retirement Benefits

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

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

2007/08 £000		2008/09 £000
	<b>Income and Expenditure Account</b>	
	<b>Net Cost of Services:</b>	
12,877	Current Service Cost	9,379
34	Past Service Costs	2,779
440	Curtailement and settlement	1,342
	<b>Net Operating Expenditure:</b>	
(17,572)	Expected Return on Employer Assets	(15,138)
18,233	Interest on Pension Scheme Liabilities	19,107
<u>14,012</u>	<b>Net Charge to the Income and Expenditure Account</b>	<u>17,469</u>
	<b>Statement of Movement in the General Fund Balance</b>	
(14,012)	Reversal of net charges made for retirement benefits in accordance with FRS17	(17,469)
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
<u>11,838</u>	Employers' contributions payable to scheme	<u>13,594</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £25.4m (gain of £33.9m 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £42,175k.

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

31 March 2008		31 March 2009
£000	<b>Reconciliation of the Fair Value of the Scheme Assets</b>	£000
240,535	Opening Value at 1st April	210,145
17,572	Expected Rate of Return on Assets	15,138
(57,533)	Actuarial Gains / (Losses)	(57,572)
	- Actuarial Loss relating to bid-price adjustment	(1,054)
11,838	Employer Contributions	13,594
4,283	Contributions by Scheme Participants	4,807
(6,550)	Benefits Paid	(6,984)
<u>210,145</u>	<b>Closing Fair Value of Scheme Assets at 31st March</b>	<u>178,074</u>

31 March 2008		31 March 2009
£000	<b>Reconciliation of Present Value of Scheme Liabilities</b>	£000
333,687	Opening Liability at 1st April	272,854
12,877	Current Service Cost	9,379
18,233	Interest Cost	19,107
4,283	Contributions by Scheme Participants	4,807
(90,150)	Actuarial (Gains) / Losses	(33,203)
440	Losses on Curtailments	1,342
34	Past Service Costs	2,779
(6,550)	Benefits Paid	(6,984)
<u>272,854</u>	<b>Closing Liability at 31st March</b>	<u>270,081</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £41,073k (2007/08 £10,407k).

### Scheme History

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000
Fair Value of Assets in the Scheme	168,885	216,173	240,535	210,145	178,074
Present Value of Liabilities	(263,172)	(325,044)	(333,687)	(272,854)	(270,081)
<b>Surplus/(Deficit) in scheme</b>	<u>(94,287)</u>	<u>(108,871)</u>	<u>(93,152)</u>	<u>(62,709)</u>	<u>(92,007)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £92m has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £397,826k.

However, statutory arrangements for funding the deficit mean that the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £12.5m.

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2008		31 March 2009
	<b>Long-term expected rate of return on assets in the scheme</b>	
7.7%	Equity Investments	7.0%
5.7%	Bonds	5.6%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for Current Pensioners:	
19.6 years	Men	19.6 years
22.5 years	Women	22.5 years
	Longevity at 65 for Future Pensioners:	
20.7 years	Men	20.7 years
23.6 years	Women	23.6 years
	<b>Financial Assumptions</b>	
3.6%	Rate of inflation / Pension increase rate	3.1%
5.1%	Rate of increase in salaries	4.6%
7.0%	Expected return on assets	6.3%
6.9%	Rate for discounting scheme liabilities	6.9%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

31 March 2008		Long Term Return	31 March 2009
%		%	%
70	Equity investments	7.0	64
13	Bonds	5.6	17
12	Property	4.9	10
5	Cash	4.0	9
100	<b>Total</b>		<b>100</b>

### History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
	←	<i>As Restated</i>	→		
	%	%	%	%	%
Differences between expected and actual return on assets	5.29	14.08	0.94	(26.75)	(31.15)
Experience Gains and Losses	(7.27)	(0.07)	0.14	12.98	0.16

## Teachers Pension Scheme

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

In 2008/09 the Council paid £7.6m, representing 14.1% of Teachers' pensionable pay, in respect of teachers' pensions to the Teachers' Pension Agency who manage the Teachers' Pension Fund on a national basis, (£7.6m and 14.1% for 2007/08).

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

The Council is responsible for all pension payments relating to added years benefits it has awarded on a discretionary basis to former employees together with the related annual increases. In 2008/09 these amounted to £0.3m for teachers, representing 0.5% of teachers' pensionable pay.

## 10 General Government Grants

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

Area Based Grant increased local authorities' flexibility over the use of their mainstream resources, by nationally moving over £4bn of grants into the new non-ring fenced Area Based Grant (ABG). This general grant is allocated according to specific policy criteria rather than general formulae. Councils are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

2007/08		2008/09
£000		£000
9,261	Revenue Support Grant	8,742
2,298	Local Authority Business Growth Incentive Grant	785
454	Local Public Service Agreements	424
-	Area Based Grant	9,500
<b>12,013</b>	<b>Total</b>	<b>19,451</b>

## 11 Expenditure on Publicity

Publicity is defined under Section 5(1) of the Local Government Act 1986 as "any communication in whatever form addressed to the public at large or to a section of the public". Set out below, under the requirements of this Act, is the Council's net spending on publicity.

2007/08		2008/09
£000		£000
269	Recruitment advertising	298
307	Other advertising	227
1,112	Other publicity	1,152
<b>1,688</b>	<b>Total</b>	<b>1,677</b>

## 12 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During the course of the year, the Council provided professional services to the following bodies under the Local Authority (Goods and Services) Act 1970. The 2007/08 numbers have been restated to enable more accurate comparison with the current year.

2007/08 Restated £000		2008/09 £000
263	Axiom Housing Association	280
166	Minster General Housing Association	218
27	Wherry Housing Association	34
842	Peterborough Primary Care Trust	725
68	Anglian Support Partnership	40
31	Luton Borough Council	605
86	Rutland County Council	90
-	Calderdale Council	367
-	London Borough of Havering	115
-	Bradford City Council	38
6,468	Cross Keys Homes	2,648
<b>7,951</b>	<b>Total</b>	<b>5,160</b>

## 13 Senior Employees' Remuneration

The number of employees whose remuneration, including lump sum retirement payments, was £50,000 or more in bands of £10,000 are shown in the table below. The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds.

The number of employees in the lower band ranges has increased between years largely as a result of additional payments in the year resulting from the Job Evaluation process and redundancy agreements. These two factors have significantly affected the comparability of data between years.

The employee marked with a \*, for 2007/08, was one employee of several who were in receipt of lump sum redundancy payments.

2007/08 No. of Employees		2008/09 No. of Employees
75	£50,000 - £59,999	134
22	£60,000 - £69,999	38
15	£70,000 - £79,999	22
6	£80,000 - £89,999	15
5	£90,000 - £99,999	4
1	£100,000 - £109,999	3
3	£110,000 - £119,999	1
1	£120,000 - £129,999	2
1	£130,000 - £139,999	-
1	£160,000 - £169,999	-
1*	£170,000 - £179,999	2

## **14 Interest in Companies**

### **Peterborough Urban Regeneration Company**

The registered name of the company is Peterborough Urban Regeneration Company Limited, known as Opportunity Peterborough, and the Company has been set up in conjunction with English Partnerships and the East of England Development Agency.

The Company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this (£250,000 in 2008/09) along with the costs of seconded staff (£84,000), and funding for specific projects (£173,750) are included within the Council’s Net Cost of Services.

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

The net assets of the Company at 31 March 2009 are £466,900 (31 March 2008 £206,800), and the Company made a net surplus of £260,200 in 2008/09 (2007/08, deficit of £291,900). As there are no shares in the Company, no dividend is payable to the Council.

In the event of the Company being wound up, the Council’s liability is limited to £1 and the Council has no rights to any share of its assets.

## **15 Related Party Transactions**

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of cash transactions with government departments are set out in Note 48 to the Accounts.

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

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise, but these have not been identified separately. One member is the chairman of the Peterborough Primary Care Trust Board.

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



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

2007/08		2008/09	
£000		£000	£000
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
(617)	Amortisation of intangible fixed assets	(943)	
(67,708)	Depreciation and impairment of fixed assets	(43,575)	
10,547	Amortisation of Government Grants Deferred	21,502	
(17,574)	Revenue expenditure funded from Capital under Statute	(17,139)	
231	PFI adjustments	(1,304)	
3,587	Net gain on sale of fixed asset	4,736	
	Differences between amounts debited / credited to the Income & Expenditure Account and amounts payable / receivable relating to stepped loans	6	
(524)	- Icelandic Investments Adjustment	(1,337)	
(14,012)	Net charges for retirement benefits in accordance with FRS 17	(17,469)	(55,523)
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
4,833	Minimum Revenue Provision for capital financing	5,363	
(3,349)	Capitalisation Direction	-	
1,143	Capital expenditure charged in year to the General Fund Balance	429	
	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(5)	
(20)	Employer's Contributions payable to the Cambridgeshire Pension Fund		
11,838		13,594	19,381
<b>Transfers to / from the General Fund Balance</b>			
(2,333)	Net transfer to or from earmarked reserves	(11,779)	(11,779)
(73,958)	<b>Net contribution to / from the General Fund Balance for the year</b>		<b>(47,921)</b>

## 17 Reserves and Balances held by Schools under Delegated Schemes

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

No.	2007/08 £000	All Schools Balances	No.	2008/09 £000	Change £000
1	89	Nursery	1	132	43
57	5,774	Primary	57	3,705	(2,069)
10	3,231	Secondary	10	1,493	(1,738)
4	392	Special	4	248	(144)
72	9,486	<b>Total School Balances</b>	72	<b>5,578</b>	<b>(3,908)</b>

Schools with deficit School Balances at the end of the financial year are required to agree an action plan to bring their School budget into balance. During 2008/09, the number of Schools with deficit balances increased from 3 to 4 as summarised below:

No.	2007/08 £000	Schools with Deficit Balances	No.	2008/09 £000	Change £000
-	-	Nursery	-	-	-
2	29	Primary	1	6	( 23)
1	28	Secondary	2	398	370
-	-	Special	1	9	9
<b>3</b>	<b>57</b>	<b>Total</b>	<b>4</b>	<b>413</b>	<b>356</b>

The overall movement on balances can be further broken down into Schools who have contributed to their balances between 2007/08 and 2008/09 and those who have utilised their balances in year. These are summarised below:

School	Schools with an increased balance		Schools with a reduced balance	
	No.	£000	No.	£000
Nursery	1	43	-	-
Primary	12	315	45	(2,384)
Secondary	3	196	7	(1,934)
Special	1	12	3	(156)
<b>Total</b>	<b>17</b>	<b>566</b>	<b>55</b>	<b>(4,474)</b>

## 18 Intangible Fixed Assets

The table below details the movement in intangible assets.

2007/08 £000	Software	2008/09 £000
1,774	Balance at 1 April	1,673
(50)	Adjustment for unidentifiable asset	-
566	Expenditure in year	805
-	Previous Asset Under Construction completed in year	404
(617)	Amortisation	(943)
<b>2,290</b>	<b>Balance as at 31 March</b>	<b>1,939</b>



## 19 Analysis of Tangible Fixed Assets

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

2007/08	Operational Assets					Non-Operational Assets					
	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Total	Investment Assets	Surplus Assets	Assets under Construction	Total	Total Assets 2008/09	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
445,930	Certified valuation at 31 March 2008	234,716	26,328	116,080	2,639	379,763	51,656	15,295	11,233	78,184	457,947
(52,770)	Accumulated Depreciation	(23,107)	(13,673)	(28,871)	(8)	(65,659)	(241)	(73)	-	(314)	(65,973)
(8,435)	Adjustments	-	64	-	-	64	-	(64)	-	(64)	-
384,725		211,609	12,719	87,209	2,631	314,168	51,415	15,158	11,233	77,806	391,974
	<b>Movement in 2008/09</b>										
-	Completed Assets under Construction in Year	4,211	621	1,671	22	6,525	-	105	(7,034)	(6,929)	(404)
44,926	Additions	14,794	4,475	13,643	147	33,059	943	181	5,426	6,550	39,609
(20,973)	Disposals	-	-	-	-	-	-	(1,767)	-	(1,767)	(1,767)
-	Surplus Asset Transfers	(2,027)	-	-	2,431	404	(204)	(200)	-	(404)	-
42,901	Revaluation adjustments & additions not resulting from a cash consideration	11,067	-	-	72	11,139	14,019	394	-	14,413	25,552
8,102	Depreciation written back on Revaluation	4,598	-	-	-	4,598	-	34	-	34	4,632
-	Adjustments to Revaluation										
-	Reserve for Impairment and Depreciation	(6,786)	-	-	-	(6,786)	(803)	(15)	-	(818)	(7,604)
-	Adjustment to Asset Classification	-	-	-	-	-	-	-	(172)	(172)	(172)
(14,431)	Depreciation in year	(5,429)	(4,413)	(5,758)	-	(15,600)	(221)	(53)	-	(274)	(15,874)
(53,277)	Impairment	(12,466)	-	-	(2,467)	(14,933)	(9,330)	(3,439)	-	(12,769)	(27,702)
391,973	<b>Net Book Value of assets at 31 March 2009</b>	219,571	13,402	96,765	2,836	332,574	55,819	10,398	9,453	75,670	408,244

## 20 Valuation Information

The Council has a rolling 5 year programme for the revaluation of fixed assets. The valuations in 2008/09 were carried out by Wilks Head & Eve and totalled £88,035,897. The basis for valuation is set out in the statement of accounting policies.

In addition to the rolling 5 year programme, Wilks Head & Eve were also commissioned to assess the whole of the Council's property portfolio to consider the impact of the current economic climate on the valuations held for the Council's properties. The report recommended a reduction in the value of £2,444,254 to the council's property portfolio.

## 21 Depreciation Methodologies

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

Category of Asset	Useful Economic Life
<b>Land &amp; Buildings</b>	
Council Offices	35 years
Car Parks	35 / 999 years
Cemeteries	30 / 35 years
Crematorium	30 years
Community Centres	35 / 40 / 60 years
Public Conveniences	30 / 35 / 40 years
Libraries	30 / 35 years
Schools	30 / 35 / 40 / 60 years
Recycling facilities	35 years
Markets	35 years
<b>Investment Assets</b>	
Investment Assets	4 / 10 / 35 / 40 / 60 / 999 years
<b>Vehicles, Plant &amp; Equipment</b>	
Computers	5 / 10 years
Equipment	5 / 10 / 15 years
Plant	5 / 10 years
Vehicles	5 years
<b>Infrastructure Assets</b>	
Roads and Bridges	20 years

## 22 Information on Assets Held

Major assets held were:

2008	Assets Held	2009
	<b>Operational Assets</b>	
	<b>Land &amp; Buildings</b>	
2	Town Hall and Bridge House Offices	2
1	Bayard Place	1
1	Peterscourt	1
1	Central Depot	1
7	Sub Depots	7
38	Area / Sub Offices	38
1	Key Theatre	1
16	Car Parks	16
1	Crematorium	1
16	Public Conveniences	16
3	Swimming Pools	3
1	Priestgate Museum and Art Gallery	1
3	Materials Recycling Facility, Composting & Refuse Disposal facilities	4
1	CCTV Control Centre	1
9	Central Library and 8 Branch Libraries	9
51	Schools (excludes Foundation, VC & VA schools)	49
4	Further Education Establishments	4
20	Smallholdings	20
17	Social Services Premises	17
42	Community Centres	41
1	St Barnabas Church	1
24	Play Centres	24
1	Peterborough Arts Centre	1
	<b>Community Assets</b>	
861	Acres of landscaping	1,004
1,248	Acres of parks (See note below)	1,340
130	Acres of allotments	130
5	Community Grounds	5
5	Cemeteries	5
	<b>Infrastructure Assets</b>	
888	Kilometres of roads	888
	<b>Non-Operational Assets</b>	
	<b>Investment Properties – Commercial and Industrial</b>	
1	General Market	1
1	Food Hall Market	1
206	Shops, commercial and industrial units	206
1	New England Complex	1
379	Acres of land for future development	396

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

## 23 Foundation Schools, Voluntary Aided and Voluntary Controlled Schools

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

## 24 Financing of Capital Items

2007/08 £000		2008/09 £000
110,651	<b>Opening Capital Financing Requirement</b>	134,255
	<b>Capital Investment</b>	
566	Intangible Assets	805
31,420	Operational Assets	33,059
13,506	Non-Operational Assets	6,550
-	Deferred Consideration	472
30,640	Revenue Expenditure Funded from Capital under Statute	16,967
3,349	Capitalisation Direction	-
150	Loans to Third Parties	-
	<b>Sources of Finance</b>	
(10,624)	Capital Receipts	(6,548)
(39,427)	Capital Grants & Contributions	(33,905)
(5,976)	Sums set aside from revenue (inc.direct revenue financing and MRP)	(5,792)
-	Capital receipts set aside to repay debt	-
<u>134,255</u>	<b>Closing Capital Financing Requirement</b>	<u>145,863</u>
	<b>Explanation of movements in year</b>	
	Increase in underlying need to borrow	
4,331	Supported borrowing	7,537
24,106	Unsupported / Prudential borrowing	9,434
	Decrease in underlying need to borrow:	
(4,833)	MRP	(5,363)
-	Capital receipts set aside to repay debt	-
<u>23,604</u>	<b>Increase in Capital Financing Requirement</b>	<u>11,608</u>

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

## 25 Commitments under Capital Contracts

The Council has a three year Capital programme, of which £2.6m was contractually committed at 31 March 2009.

Description of Contract	Value of contract £000	Value outstanding at 31/3/09 £000
Roads & Bridges	837	457
Heltwate Extension	893	721
Library Software	235	235
Riverside Community Centre	797	595
Affordable Housing Grants	1,440	570
<b>Total</b>	<b>4,202</b>	<b>2,578</b>

## 26 Undischarged Obligations arising from Long Term Contracts

Under the secondary schools PFI contract, signed on 31 July 2006, the Council is committed to making payments estimated at £269m over the period of the contract. The contract expires in August 2037. The Council will also receive £144m in PFI grant from the Government over the same period towards these costs. See Note 32 for further information.

## 27 Capital Grants Applied

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

2007/08 £000	Grants Applied	2008/09 £000
19,622	Department for Communities & Local Government	9,661
179	Department for the Environment, Food and Rural Affairs	21
9,107	Department for Children, Schools and Families	14,151
2,893	Department for Transport	3,922
286	Department of Health	133
189	East of England Development Agency	1,820
1,560	Government Offices (East of England)	-
1,886	Various	392
<b>35,722</b>	<b>Total Grants applied</b>	<b>30,100</b>
111	S106	781
122	Padholme Road Drainage	378
2,750	Corn Exchange	-
722	Third Party Contributions	2,646
<b>3,705</b>	<b>Total Contributions applied</b>	<b>3,805</b>
<b>39,427</b>	<b>Total Grants &amp; Contributions applied</b>	<b>33,905</b>

## 28 Financial Instruments Balances

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

31 March 2008			31 March 2009	
£000	£000		£000	£000
Short Term	Long Term	Borrowing	Short Term	Long Term
(4,079)	-	Cash	-	-
(52)	-	Trade Creditors	(7,292)	-
-	(1,072)	Long Term Liabilities	-	(1,035)
(25,546)	(115,778)	Borrowing	(18,345)	(117,939)
(29,677)	(116,850)	<b>Total Borrowings</b>	<b>(25,637)</b>	<b>(118,974)</b>
<b>Loans and Receivables</b>				
-	-	Cash	1,333	-
6,162	-	Trade Debtors	7,479	-
54,331	8,326	Investments and Debenture	41,290	7,205
-	3,836	Long Term Debtors	-	2,135
60,493	12,162	<b>Total Investments</b>	<b>50,102</b>	<b>9,340</b>

Investments are made through money market deposits placed with United Kingdom institutions of good standing. Short Term Investments are due to be repaid on various dates, during the twelve months to 31 March 2010.

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

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

The short term borrowing is analysed as follows:

	Balance 31 March 2008	Loans Raised	Loans Repaid	Out-standing interest	Balance 31 March 2009
	£000	£000	£000	£000	£000
Temporary Loans	-	(25,900)	25,900	-	-
Market Loans	(18,354)	-	-	9	(18,345)
PWLB Loans	(7,192)	-	7,192	-	-
<b>Total</b>	<b>(25,546)</b>	<b>(25,900)</b>	<b>33,092</b>	<b>9</b>	<b>(18,345)</b>

The long term borrowing is analysed as follows:

31 March 2008		Interest Rates	31 March 2009
£000		%	£000
(115,778)	Source of Borrowing: Public Works Loan Board	3.70 to 7.88	(117,939)
	The loans listed above mature as follows:		
-	Between one and two years		-
(8,433)	Between two and five years		(1,667)
-	Between five and ten years		-
(107,345)	Over ten years		(116,272)
(115,778)	<b>Total</b>		<b>(117,939)</b>

The average interest rate for all loans was 4.56% (4.64% in 2007/08). The borrowing value for 2008/09 includes outstanding interest in accordance with the change in accounting policy.

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

	Balance 31 March 2008	PFI Move ments	Less Repaid by Borrowers	Balance 31 March 2009
	£000	£000	£000	£000
Council House Mortgages	51	-	(5)	46
Private Sector Mortgages	9	-	-	9
Lease Premium	1,500	-	-	1,500
Loans	135	-	(35)	100
PFI Reversionary Interest	377	(68)	-	309
PFI Residual Interest	1,764	(1,593)	-	171
<b>Total</b>	<b>3,836</b>	<b>(1,661)</b>	<b>( 40)</b>	<b>2,135</b>

## 29 Financial Instruments Gains and Losses

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

2007/08			2008/09	
Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets
£000	£000		£000	£000
6,163	-	Interest expense	6,117	-
		Impairment Losses		1,516
6,163	-	<b>Interest Payable and Impairment Costs</b>	<b>6,117</b>	<b>1,516</b>
-	(3,948)	Interest income	-	(3,691)
6,163	(3,948)	<b>Net gain / (loss) for the year</b>	<b>6,117</b>	<b>(2,175)</b>

Interest income includes £178k of interest relating to deposits with Icelandic Banks which is detailed in Note 4 Exceptional Costs.

## 30 Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2009 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:

2007/08		2008/09	
Carrying amount	Fair Value	Carrying amount	Fair Value
£000	£000	£000	£000
(146,527)	(147,861)	(144,611)	(146,395)
Financial Liabilities			
72,655	72,575	59,423	58,188
Loans and receivables			

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

The Fair Value in 2008/09 is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date and the investments held with Icelandic Banks have been assessed as having a Fair Value of zero.

### 31 Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### Credit risk

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

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

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

- Deposits are made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100 million of the total amount deposited in the highest rated category.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities,

and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £60 million in total.

- No more than £20 million is held with any one institution, regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to spread risk.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Services Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Sector Treasury Services Ltd.

In 2008/09 the Council had two investments with Icelandic Banks, which went into administration in October 2008. The sum invested £3m has been impaired taking into account information available at the time in relation to likely recovery of principal. See Note 4 Exceptional Costs for more details.

In October, the Council reviewed its investment strategy and subsequently only placed investments with the Government Debt Management Office, the Council's banking facilities provider, and other Local Authorities.

In light of the investment strategy and a review of historical market conditions, the Council has reviewed the creditworthiness of its investments as at 31 March 2009.

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

Investments	Carrying value 31 March 2009	Experience of default 31 March 2008	Experience of default updated for conditions at 31 March 2009	Estimated maximum exposure
	£000			£000
Other Local Authorities	16,587	0%	0%	-
Banks and financial institutions	31,908	0%	5.07%*	1,618
<b>Total</b>	<b>48,495</b>			<b>1,618</b>

\* The 5.07% represents the Council's historical experience of default across the entire investment portfolio, in the year the investments were made, and specifically relates to the deposits with Icelandic owned banks, where the invested sum of £3m has been impaired to a carrying value of £1.7m, as detailed in Note 4.

The table shows that prior to 2008/09 and the experience in relation to the investments in Icelandic Banks, the Council had no experience of default.

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

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

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

The Council does not allow credit for customers, and the £7.5m debtors balance can be analysed by age as follows:

2007/08		2008/09
£000	<b>Age of Trade Debt</b>	£000
4,707	Less than three months	5,349
272	Three to six months	1,133
406	Six months to one year	140
777	More than one year	857
<u>6,162</u>	<b>Total</b>	<u>7,479</u>

### Liquidity risk

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

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

The maturity analysis of financial liabilities is as follows:

2007/08		2008/09
£000	<b>Maturity analysis of financial liabilities</b>	£000
(29,690)	Less than one year	(25,675)
(38)	Between one and two years	(113)
(8,789)	Between two and five years	(2,003)
(108,010)	More than five years	(116,820)
<u>(146,527)</u>	<b>Total</b>	<u>(144,611)</u>

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

### Market risk

#### Interest rate risk

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

- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at fixed rates – the fair value of the assets will fall
- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

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

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

- The borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty.
- Depending upon economic conditions the council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high.
- Variable interest rate borrowings should not exceed 25% of total gross borrowing. There is an absolute limit set of £30m of net borrowing.
- During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden.
- The risk of increasing interest outlay is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provides compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2007/08		2008/09 £000
	<b>Impact of 1% change in Interest Rate</b>	
68	Increase in interest payable on variable rate borrowings	-
(69)	Increase in interest receivable on variable rate investments	(113)
(1)	<b>Impact on Income and Expenditure Account</b>	<b>( 113)</b>
(16,690)	Decrease in fair value of fixed rate borrowings liabilities (no impact on Income & Expenditure Account or STRGL)	(20,270)

There would be a significant favourable impact in the Fair Value of borrowings as a result of a 1% rise in interest rates as the majority of the Council's loan portfolio is at low fixed rates.

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

#### **Price risk**

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

### Foreign exchange risk

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

### 32 PFI Deferred Consideration Account

The secondary schools PFI contract was entered into on 31 July 2006, the provider took over control of the buildings in September 2007. Prior to this time the Local Authority assets were held on the Council's Balance Sheet. The assets are no longer held on the Balance Sheet following an analysis of the relative risks borne by the Council and the provider.

Capital expenditure in 2008/09, in relation to the contract, has been transferred as a prepayment to the PFI Deferred Consideration Account. This will be charged to the Income and Expenditure Account over the life of the contract.

2007/08		2008/09
£000	<b>PFI Deferred Consideration Account</b>	<b>£000</b>
3,935	Balance at 1 April	28,477
13,066	Capital expenditure	472
11,959	Schools transferred as per PFI contract	-
-	Adjustment to Prior Year	1,403
(483)	Charge to Income & Expenditure Account	(1,047)
<u>28,477</u>	<b>Balance as at 31 March</b>	<u>29,305</u>

### 33 Revenue Expenditure Funded From Capital Under Statute.

Capital payments to secure lasting works of a capital nature, but where the Council obtains no fixed asset (e.g. improvement grants and spend on assets not in the Council's ownership) are amortised to the Income and Expenditure Account in the year the expenditure is incurred. Transactions in the year 2008/09 are shown below:

2007/08		2008/09
£000	<b>Expenditure</b>	<b>£000</b>
3,799	Improvement and Disabled Facility Grants	4,776
13,066	PFI – Deferred Credit	472
8,500	Contribution to the Academy School	-
-	Refurbishment of Arthur Mellows Village College	4,953
5,275	Other	7,410
	Less:	
(17,574)	Amounts charged to service areas in year	(17,139)
(13,066)	Amounts written to deferred credits for PFI	(472)
<u>-</u>	<b>Balance as at 31 March</b>	<u>-</u>

### 34 Stock and Work in Progress

31 March 2008		31 March 2009
£000	<b>Stocks</b>	<b>£000</b>
233	City Services Stores	204
348	Other Stock Balances	351
<u>581</u>	<b>Total</b>	<u>555</u>

### 35 Debtors

31 March 2008		31 March 2009
£000		£000
26,517	Central Government Departments	9,149
521	Cambridgeshire County Council	611
82	National Heritage (Lottery)	182
7,088	Cross Keys Homes	4,685
344	Council House Tenants	344
5,110	Council Tax Arrears	5,903
3,734	Non Domestic Ratepayers Arrears	4,561
1,087	Payments in Advance	1,922
17,144	General Debtors	17,300
<u>61,627</u>		<u>44,657</u>
	Outstanding balances on loans granted	
19	Loans to Employees (Car Purchase)	14
<u>61,646</u>	<b>Total Debtors</b>	<u>44,671</u>
<u>(7,932)</u>	Less : Provision for Bad Debts	<u>(7,305)</u>
<u>45,782</u>	<b>Total</b>	<u>37,366</u>

### 36 Creditors

Restated 31 March 2008		31 March 2009
£000		£000
(2,346)	Central Government Departments	(1,511)
(1,945)	Peterborough Primary Care Trust	(5,594)
(2,079)	Council Tax Overpaid	(753)
(2,121)	NNDR Overpaid	(708)
-	Non Domestic rates pool	(1,720)
(2,574)	Capital Schemes	(1,727)
(9,091)	Deposits / Receipts in Advance	(13,768)
(17,839)	Unapplied Capital Grants	(12,296)
(1)	Collection Fund Surplus to Precepting Authorities	(240)
(33,488)	General Creditors	(39,972)
<u>(71,484)</u>	<b>Total Creditors</b>	<u>(78,289)</u>

### 37 Long Term Liability

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

31 March 2008		31 March 2009
£000		£000
(37)	Finance Lease Liability	(25)
(75)	Security Equipment	(50)
(960)	Lease Premium	(960)
<u>(2,144)</u>	<b>Total</b>	<u>(1,035)</u>

### 38 Leasing Arrangements

Annual payments in respect of these arrangements are:

2007/08 £000		2008/09 £000	2009/10 £000	Later £000
13	Finance leases	13	13	13
407	Operating leases	259	178	199
<b>420</b>	<b>Total</b>	<b>272</b>	<b>191</b>	<b>212</b>

The 2009/10 elements are broken down as follows:

	£000
Leases expiring in 2009/10	-
Leases expiring between 2010/11 and 2012/13	191
<b>Total</b>	<b>191</b>

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

### 39 Property Leases

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

Property Lease Categories	Rentals Received		Rentals Paid	
	No.	£000	No.	£000
Car Parks	8	(279)	4	5
Farms	2	(227)	1	-
Industrial	127	(1,608)	74	816
Market	47	(445)	-	-
Office	22	(460)	10	498
Retail	86	(2,029)	10	115
Open Spaces	10	(18)	1	-
Other	73	(188)	26	83
<b>Total</b>	<b>375</b>	<b>(5,254)</b>	<b>47</b>	<b>1,517</b>

### 40 Grants and Contributions Deferred Account

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

31 March 2008 £000		31 March 2009 £000
(53,245)	Balance Brought Forward	(75,549)
241	Restated in accordance with LAAP 73	-
(39,427)	Grants applied in year	(33,905)
5,140	Amortisation of Grants	5,488
5,407	Grants applied to Revenue Expenditure Funded from Capital under Statute	16,014
1,012	Write out of grant linked to unidentifiable assets	-
-	Grants applied in year to completed Assets Under Construction	(4,277)
5,323	Grants applied in year to Assets Under Construction	4,235
<b>(75,549)</b>	<b>Balance Carried Forward</b>	<b>(87,994)</b>



## 41 Provisions

	Balance Brought Forward 1 April 2008	Add Contribution to Provision	Less Payments from / Reductions to Provision	Balance Carried Forward 31 March 2009
	£000	£000	£000	£000
Social Care Repayment	(77)	-	9	(68)
Insurance Claims	(1,565)	(311)	469	(1,407)
Lenders Option Borrowing rates	(15)	-	10	(5)
Payroll	-	(737)	-	(737)
<b>Total</b>	<b>(1,657)</b>	<b>(1,048)</b>	<b>488</b>	<b>(2,217)</b>

Class of Provision	Purpose
Social Care Repayment	Following a House of Lords Judgement, services provided under Section 117 of the Mental Health Act were adjudged to be free. The provision represents the liability due to be repaid.
Insurance Claims	This represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain.
Lenders Option Borrowing Rates	The Council has borrowed amounts that are subject to low interest rates initially and then broadly at market rates for the remainder of the loan period. This provision is intended to equalise the charge to revenue each year.
Payroll	Other pay and redundancy related payments, where the decisions were made during 2008/09 but actual payment not made until 2009/10

## 42 Revaluation Reserve

31 March 2008		31 March 2009
£000		£000
-	Balance Brought Forward.	44,981
53,370	Revaluations Upwards	29,723
(2,368)	Release of revaluation gains on downward revaluations	(7,144)
(5,429)	Release of revaluation gains on disposal	(19)
(592)	Difference between historic cost and current value depreciation	(1,163)
<b>44,981</b>	<b>Balance Carried Forward</b>	<b>66,378</b>

The Revaluation Reserve was included in the Balance Sheet with a zero opening balance at 31 March 2008. The closing position on the Reserve at 31 March 2009 therefore only shows revaluation gains accumulated since 1 April 2007.

### 43 Capital Adjustment Account

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

2007/08 £000		2008/09 £000
234,973	Balance Brought Forward	164,050
4,833	Minimum Revenue Provision (MRP)	5,363
(14,432)	Depreciation	(15,874)
(53,199)	Impairment	(27,702)
(77)	Write down of deminimis capital expenditure	-
(617)	Amortisation	(943)
592	Depreciation & impairment write down to Revaluation Reserve	1,163
(7,586)	Disposal of fixed assets	(1,767)
5,429	Transfer of revaluation gains on disposal	19
(17,574)	Revenue Expenditure Funded from Capital under Statute	(17,139)
	Capital Financing:	
10,624	Capital receipts transferred from Useable Capital receipts	6,548
1,143	Use of revenue	429
5,407	Use of capital grants	16,015
5,140	Write down of government grants deferred	5,488
-	Capital receipts set aside to repay debt	-
(3,349)	Capitalisation Direction	-
231	PFI adjustment	(1,304)
(15)	Repayment of loan	(35)
(8,485)	Write down of unidentifiable assets	-
1,012	Write out of grant linked to unidentifiable assets	-
<u>164,050</u>	<b>Balance Carried Forward</b>	<u>134,311</u>

### 44 Usable Capital Receipts

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

2007/08 £000		2008/09 £000
-	Balance Brought Forward	10
<u>10,654</u>	Receipts in year	<u>6,543</u>
10,654		6,553
	Less	
-	Set aside in year to repay debt	-
(20)	Amounts paid to Government under "pooling" arrangements	(5)
<u>(10,624)</u>	Applied to finance capital expenditure in year	<u>(6,548)</u>
<u>10</u>	<b>Total</b>	<u>-</u>

### 45 Deferred Capital Receipts

These deferred capital receipts relate to mortgages and lease premiums that are not due at 31 March 2009, but will be received by the Council in future years.

31 March 2008 £000		31 March 2009 £000
600	Deferred capital receipts	595

## 46 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account was introduced in 2007/08.

31 March 2008 £000	31 March 2009 £000
- Balance carried forward	(524)
(530) Adjustment to carrying value of Market Bonds on 1 April 2008	-
- Adjustments in relation to Icelandic Banks	(1,337)
6 Movements during the year	6
<b>(524) Balance Carried Forward</b>	<b>(1,855)</b>

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

	31 March 2009 £000
<b>Adjustments in relation to Icelandic Banks</b>	<b>£000</b>
Heritable Bank	265
Kaupthing Singer & Friedlander Ltd	1,072
<b>Total Amount Transferred</b>	<b>1,337</b>

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

Financial Instruments Adjustment Account	Balance at 31/03/09 £000	Transfers during 2009/10 £000	Transfers during 2010/11 £000	Balance at 31/03/11 £000
Heritable Bank	265	(40)	(225)	-
Kaupthing Singer & Friedlander Ltd	1,072	(45)	(1,027)	-
<b>Total</b>	<b>1,337</b>	<b>( 85)</b>	<b>(1,252)</b>	<b>-</b>

## 47 Reserves

Reserve	Balance 1 April 2008 £000	Net Movement in year £000	Balance 31 March 2009 £000	Purpose of Reserve	Ref. Note
Revaluation Reserve	44,981	21,397	66,378	Store of gains on revaluation of fixed assets not yet realised through sales.	42
Capital Adjustment Account	164,050	(29,739)	134,311	Store of capital resources set aside to meet past expenditure	43
Useable Capital Receipts	10	(10)	-	Proceeds of fixed assets sales available to meet future capital investment	44
Deferred Capital Receipts	600	(5)	595	Outstanding balance due for mortgages and lease premiums	45
Financial Instruments Adjustment Account	(524)	(1,331)	(1,855)	Balancing account to allow for differences in statutory requirements and proper accounting requirements for borrowings and investments.	46
Specific Reserves	23,137	(11,779)	11,358	See following Tables	
Pensions Reserve	(62,709)	(29,298)	(92,007)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	9
School Balances	9,486	(3,908)	5,578	Statutory balances for each school available for the school in future years.	17
General Fund	6,000	-	6,000	Resources available to meet future running costs	
Collection Fund balance	6	1,182	1,188	The Council's share of the surplus on the Collection Fund See Collection Fund Statement, page 61	
<b>Total Reserves</b>	<b>185,037</b>	<b>(53,491)</b>	<b>131,546</b>		

The Table overleaf details the movements on specific reserves.

<b>Reserves</b>	<b>Balance at 1 April 2008</b>	<b>Contribution to Reserves</b>	<b>Contribution from Reserves</b>	<b>Movement between Reserves</b>	<b>Balance At 31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Meeting Corporate Priorities	4,521	1,635	(2,170)	(235)	3,751
Local Government Reorganisation	392	-	(354)	-	38
Insurance	4,512	314	(178)	(107)	4,541
Schools Capital Expenditure	-	2,080	-	-	2,080
Available for Capacity Building	13,712	2,430	(15,536)	342	948
<b>Total Reserves</b>	<b>23,137</b>	<b>6,459</b>	<b>(18,238)</b>	<b>-</b>	<b>11,358</b>

<b>Reserves</b>	<b>Purpose</b>
Meeting Corporate Priorities	Sums specifically set aside for meeting Corporate Priorities. These will have been identified by the Cabinet or the Corporate Management Team and are incorporated within the Medium Term Financial Strategy.
Local Government Reorganisation	A sum set aside to meet future repayments due in respect of Local Government Reorganisation.
Insurance	Sums set aside to provide for future claims (self insurance). A number of risks, contingencies and financial losses are held covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £25,000 per loss, are also met by the Reserve.
Schools Capital Expenditure	School revenue reserves put aside for funding future school capital schemes.
Available for Capacity Building	Consists of the balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.

## 48 Notes Relating to the Cash Flow Statement

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

2007/08 Restated £000		2008/09 £000
72,892	Deficit for the year	51,829
1,066	Add: Increase / (decrease) in Schools Balances	(3,908)
	<b>Add non-cash transactions</b>	
(617)	Amortisation	(943)
(14,432)	Depreciation of fixed assets	(15,872)
(53,276)	Impairment of fixed assets	(27,702)
10,547	Amortisation of Government Grants Deferred	21,502
(17,574)	Revenue Expenditure Funded from Capital under Statute	(17,139)
455	Net gain / (loss) on sale of fixed asset	2,158
3,094	Net gain on Right to Buy receipts	1,278
(2,174)	Net charges for retirement benefits	(3,889)
(560)	Provisions set aside in year	(1,049)
-	Icelandic Investments Impairment	(1,338)
678	Payments from provisions	489
(3,185)	NNDR Payments made by the Council	(2,542)
231	PFI Adjustments	(1,304)
(524)	Financial Instruments Account	6
	<b>Add back items relating to Collection Fund</b>	
10,937	Precepts Paid	11,460
75,826	NNDR Pool Payments	80,285
(56,921)	Council Tax Receipts	(57,950)
(69,752)	NNDR Receipts	(79,399)
56,026	Demand on Collection Fund	56,846
275	Capital expenditure recharges	1,919
(329)	Non-Cash Salary Costs	(289)
	Less items on an accruals basis	
(69)	Increase / (decrease) in stocks	(26)
(258)	Increase / (decrease) in Landfill Usage Allowance	-
18,390	Increase / (decrease) in debtors	(16,347)
(3,756)	Less capital debtors	7,109
(1,485)	Less collection fund debtors	(1,620)
832	Add bad debt provision movement	(627)
(18,299)	Add increase in creditors	(6,806)
9,797	Add capital creditors	(5,024)
(2,076)	Add collection fund creditors	(2,502)
	<b>Items classified in another classification in the cash flow</b>	
3,948	Interest and Investment Income	3,691
(6,163)	Interest Paid	(6,117)
(745)	Add Balance Sheet items and other adjustments	(455)
<b>12,799</b>	<b>Net cash inflow / (outflow) from revenue activities</b>	<b>(14,276)</b>

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

2007/08 £000		2008/09 £000
(49,994)	Net debt at 1 April	(83,818)
(8,629)	Decrease / (increase) in cash in the period	5,412
(24,989)	Cash (inflow) / outflow from increase / decrease in debt financing	5,140
750	Cash (inflow) / outflow from increase in liquid resources	(12,911)
(956)	Accrual of interest	(1,314)
<b>(83,818)</b>	<b>Net debt at 31 March</b>	<b>(87,491)</b>

*Analysis of Net Debt*

<b>Analysis of Net Debt</b>	<b>Balance 1 April 2008</b>	<b>Movement between categories</b>	<b>Accruals of interest</b>	<b>Cash Flow</b>	<b>Balance 31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash in hand	(4,079)	-	-	5,412	1,333
Debt due after one year	(116,850)	(7,128)	(136)	5,140	(118,974)
Debt due within a year	(25,546)	7,128	73	-	(18,345)
Short term investments	54,331	-	(1,148)	(11,893)	41,290
Long term investments	8,326	-	(103)	(1,018)	7,205
<b>Total</b>	<b>(83,818)</b>	<b>-</b>	<b>(1,314)</b>	<b>(2,359)</b>	<b>(87,491)</b>

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

<b>Reconciliation of Financing and Management of Liquid Resources to the related items in the Balance Sheet</b>	<b>2008/09 £000</b>
Net transfers to short term investments	(11,893)
Net transfers to long term investments	(1,018)
Repayment of amounts borrowed	13,885
Capital Elements of Finance Lease	12
Credit Arrangement	-
New Long Term Loans	(8,757)
Accruals of interest	(1,314)
<b>Total Movement in Net Debt on Balance Sheet</b>	<b>(9,085)</b>

<b>Balance Sheet Items</b>	<b>Balance 1 April 2008 £000</b>	<b>Balance 31 March 2009 £000</b>	<b>Movement in the year £000</b>
Long Term Loans	(115,778)	(117,939)	(2,161)
Short Term Investments	54,331	41,290	(13,041)
Long Term Investments	8,326	7,205	(1,121)
Long Term Liability	(1,072)	(1,035)	37
Long Term Loans Repayable in 1 year	(25,546)	(18,345)	7,201
<b>Total</b>	<b>(79,739)</b>	<b>(88,824)</b>	<b>(9,085)</b>

*Movement in Cash and Cash Equivalents (Liquid Resources)*

<b>Movement in Cash and Cash Equivalents</b>	<b>Balance 1 April 2008 £000</b>	<b>Balance 31 March 2009 £000</b>	<b>Movement in the year £000</b>
Short Term Borrowing	(25,158)	(25,158)	-
Bank Balance	(4,079)	1,333	5,412
Short Term Investments	53,400	41,508	(11,893)
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>24,163</b>	<b>17,683</b>	<b>(6,481)</b>

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



### Other Government Grants

Certain Government Grants are identified separately within the body of the Cash Flow Statement. Further analysis of Revenue Grants is shown below: -

2007/08 £000		2008/09 £000
(378)	Urban Grant	(347)
(4,755)	Supporting People	(4,930)
(13,884)	Learning Skills Council Funding	(13,155)
(106,402)	Dedicated Schools Grant	(109,074)
(22,528)	Other Education Grants	(26,674)
(3,269)	Local Area Agreements	-
(4,731)	Private Finance Initiative	(4,731)
(3,638)	Surestart Grant	(9,799)
(4,513)	Adult Social Care Grants	(751)
(237)	Local Authority Business Growth Incentive	(2,846)
-	Area Based Grant	(9,500)
(9,372)	Other	(6,774)
<b>(173,707)</b>	<b>Total Government Grants</b>	<b>(188,581)</b>

### 49 Trust Funds

The Council administers 13 trust funds for the benefit of children in specific schools or in care. The total value invested, as at 31 March 2009 was £96,243 (£89,191 at 31 March 2008). 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 £13,285 (£12,015 at 31 March 2008) all invested internally.

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

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

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

### 50 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.

- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party.
- Municipal Mutual Insurance (MMI) - In 1992-93 the Council's insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council under this arrangement is £360,000. It is possible that a proportion of this may need to be repaid by the Council if the scheme of arrangement is triggered by insolvency, but the amount cannot be quantified at this stage. The Company still predicts a solvent run off.
- As part of the single status agreement, made between the NJC (National Joint Council) and Councils, the Council has reviewed the pay and grading structure to ensure equal pay for work of equal value. The new structure was implemented on the 1<sup>st</sup> March 2008, backdated to the 1<sup>st</sup> April 2007. Employees have the option to appeal against the initial outcomes of the re-grading process. Stage 1 appeals and queries have been considered and the results are reflected in these accounts. The next stage of appeals will take place during 2009/10 and if these result in an increase in grading or additional payment, for either an individual or a group of employees, further liability could be incurred. Given the uncertainty of the potential liability it has not been possible to estimate its impact.
- 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.

## **51 Contingent Assets**

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

## **52 Authorisation of the Accounts**

The Executive Director of Strategic Resources authorises these accounts to be issued on 30 June 2009.

## The Collection Fund and Notes

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

2007/08		Collection Fund		2008/09	
£000	£000		Notes	£000	£000
		<b>Income</b>			
(56,667)		Council Tax (net)	1	(58,658)	
(9,651)		Transfer from General Fund - Council Tax		(10,153)	
(74,786)		Business Ratepayers (NNDR)	2	(82,417)	
	<u>(141,104)</u>	<b>Total Income</b>			<b>(151,228)</b>
		<b>Expenditure</b>			
2,810		Cambridgeshire Fire Authority Precept	3	2,953	
8,014		Cambridgeshire Police Authority Precept	3	8,507	
55,426		Demand by Peterborough City Council		56,846	
	66,250	<b>Total Precepts</b>			68,306
74,518		Payment to NNDR National Pool		82,003	
268		NNDR cost of collection allowance		274	
	74,786	<b>Total Business Rates</b>			82,277
460		Change in provision	4	(776)	
	460	<b>Total Bad and Doubtful Debts</b>			(776)
		Contribution to previous year's estimated surplus:			
30		Cambridgeshire Fire Authority		-	
84		Cambridgeshire Police Authority		-	
600		Peterborough City Council		-	
	714	<b>Total surplus</b>			-
	<u>142,210</u>	<b>Total Expenditure</b>			<b>149,807</b>
	<u>1,106</u>	<b>Deficit / (surplus) for the year</b>			<b>(1,421)</b>
		<b>Movement on Collection Fund Reserve:</b>			
(1,113)		Fund Balance Brought forward			(7)
1,106		Deficit / (surplus) for the year			(1,421)
	<u>(7)</u>	Fund Balance Carried Forward			<u>(1,428)</u>
		<b>Collection Fund Reserve attributable to the City Council and preceptors:</b>			
-		Cambridgeshire Fire Authority surplus (Creditor)			(62)
(1)		Cambridgeshire Police Authority surplus (Creditor)			(178)
(6)		Peterborough City Council			(1,188)
	<u>(7)</u>	Total Collection Fund Balance			<u>(1,428)</u>

## 1 Calculation of Council Tax Base

Council Tax Band Ratio to Band D	A	B	C	D	E	F	G	H	TOTAL
	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
No. of Dwellings	32,718	17,186	11,691	6,244	3,821	1,666	810	59	74,195
Band D Equivalent	21,812	13,367	10,392	6,244	4,670	2,406	1,350	118	60,359

The Band D Equivalent shown above is calculated by applying the relevant factor but is before statutory discounts, exemptions, etc., and any allowance for non-payment which is at the discretion of each Local Authority. The tax base used for Council Tax setting purposes after taking account of these factors was 54,231 (53,640 in 2007/08).

## 2 National Non-Domestic Rates

As at 31 March 2009 the total national non-domestic rateable value was £197,679,192 (£201,445,032 at 31 March 2008) and the national multiplier was 46.2p giving a gross charge of £91,327,787 (£89,441,594 in 2007/08). The amount due for the year is calculated by reference to the actual charge during the year, which changes on a daily basis. The gross charge is further reduced because of reductions due to successful appeals, voids, interest on refunds and charitable relief.

## 3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

## 4 Provision for Doubtful Debts

The provision for doubtful debts for Council Tax stood at £2.0m as at 31 March 2009 against arrears of £5.7m. At 31 March 2008, the provision stood at £3.0m against arrears of £4.7m.

# Annual Governance Statement

---

## Scope of Responsibility

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

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

With effect from April 2008, the council implemented the principles of the CIPFA / SOLACE Framework – “*Delivering Good Governance in Local Government*” (CIPFA 2007) within a Local Code of Governance. A copy of the code is on our website at [www.peterborough.gov.uk](http://www.peterborough.gov.uk) or can be obtained from:

Peterborough City Council  
Democratic Services, Town Hall  
Bridge Street  
Peterborough. PE1 1HQ

This statement explains how the City Council has complied with the code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## The Purpose of the Governance Framework

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

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

The governance framework has been in place at the City Council for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the statement of accounts.

## The Governance Framework

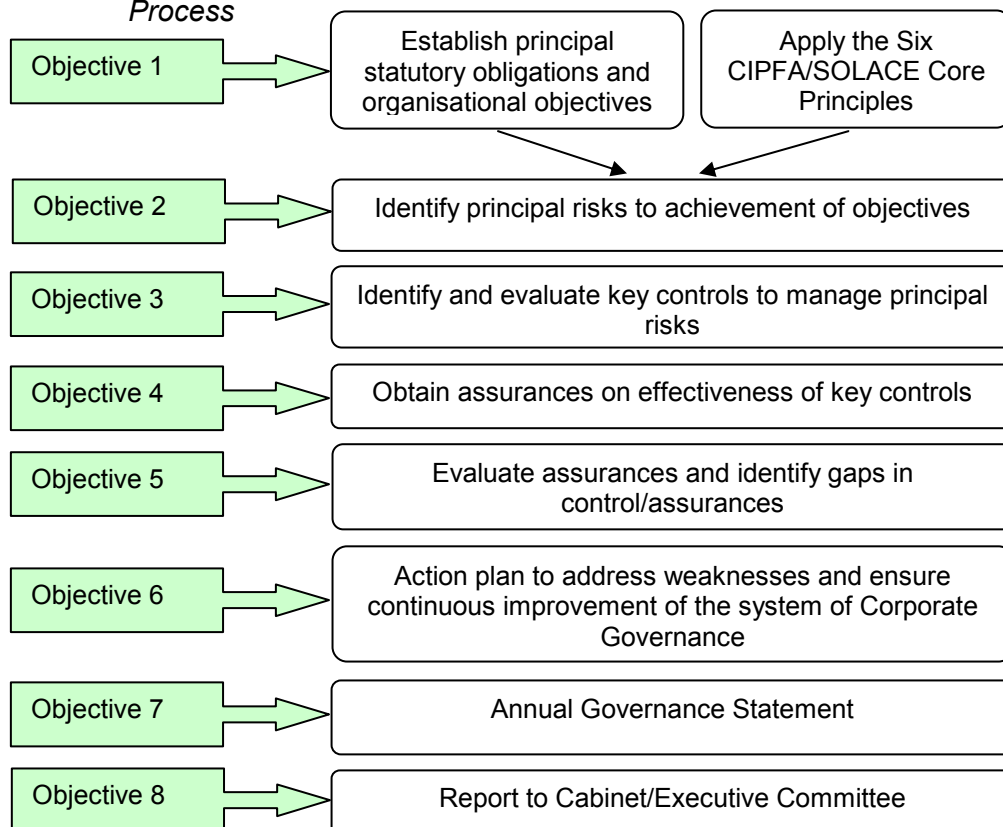
The Council is a complex organisation with an appropriately comprehensive governance framework. The Council works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from six core principles identified in a 2004 publication entitled *The Good Governance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

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

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

Peterborough has used these principles when gathering evidence to gain assurance that governance is robust, and have applied the format suggested by CIPFA (see diagram 1) towards preparing the Annual Governance Statement. After the first steps at objective 1, the core principles are evidenced to give assurance. By following this process a comprehensive review of governance arrangements is undertaken in line with CIPFA guidance.

*Diagram 1: Review of Annual Governance Statement and the Assurance Gathering Process*



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

**Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area**

The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. A copy of the Corporate Plan can be found at: <http://www.peterborough.gov.uk>. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.

**The City's Vision:**

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

*Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings.*

*Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*

The Council previously had four priority areas, broadly focusing on safety and the environment, health and well-being, improving our economy, and ensuring children have access to excellent educational opportunities. These have now been subsumed into those from the Sustainable Community Strategy. Each of these priority areas has a focus on a number of outcomes that will collectively deliver the improvements that Peterborough expects.

Previous PCC Priorities	Plan and deliver a safe, attractive and environmentally friendly city	➔	Creating the UK's environment capital	SCS & new PCC Priorities
	Achieve the best possible health and wellbeing	➔	Creating strong and supportive communities	
	Make Peterborough a better place in which to live and work	➔	Delivering substantial and truly sustainable growth	
	Provide high quality opportunities for learning and ensure children and healthy and safe	➔	Creating opportunities - tackling inequalities	

The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend service and business plans.

The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. It includes performance indicators, both national and local, to show how



well we performed in previous years, plus our plans against these indicators for future years. All employees have been issued with pocket sized cards detailing the strategic priorities, in addition to priority posters being situated in all key council properties.

The Council ensures that its vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that its vision is clearly articulated and disseminated. The Council conveys vision for the future, strategic direction, priorities and targets to the community by a number of methods. The Corporate Plan, Policy Framework and Budget, Local Area Agreement and a variety of other plans and strategies are considered in public at Scrutiny Committees, Cabinet and Council Meetings. In addition, various forums are utilised to obtain feedback from stakeholders to help in shaping the future development of our vision for the future including future investment and services provided. As part of this process, any impact on governance arrangements will be identified and responded to.

The Council uses a range of methods to measure the quality of service for users in order to ensure that the Council can review the quality of service that is being provided. This includes carrying out satisfaction surveys and monitoring relevant performance indicators. The Council has a detailed performance management framework in place which is effectively used to monitor and manage performance. Performance is cascaded through service plans, individual employee appraisals and action plans. Performance reports are produced on a quarterly basis and is considered by the Council's Corporate Management Team (CMT), the Cabinet, and Scrutiny Committees. The information on performance is reported annually through the Corporate Plan and the report is also fed into the budget process. This ensures that the Council reviews and monitors the quality of service and reflects the needs of its users in its Corporate Plan and Medium Term Financial Plan in order to ensure improvement. A further development to improve performance has included the establishment of "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives. The reporting process is under constant review in order to develop its maximum potential. The Council has put in place effective arrangements to deal with potential failures in service delivery. The Council has a comprehensive comments, compliments and complaints scheme. All employees are subject to performance and development review processes which should address any failures in service delivery by employees.

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

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council has established an ambitious business transformation programme to take the Council forward. Rated as a three star authority, the City Council's performance has improved over recent years. However, the Authority is still inefficient in parts. In some areas outdated systems and processes make relatively simple tasks resource-intensive. In other areas a lack of shared systems means duplication and wasted resource.

There are two work streams for the transformation programme. The first focuses on procurement which aims to deliver ongoing annualised savings. The second is about driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes;

reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. Teams across the council are proactive in identifying further efficiencies within their own work areas and across the council and business transformation consultants have trained many managers and team leaders to approach their work with a greater business focus. Customers are happy with the more co-ordinated service they receive from the council and as a result satisfaction ratings are rising. Other councils are beginning to visit Peterborough to learn about some of the best practice generated here.

These projects will ensure that the Council can effectively manage the budget process and future cash limit allocation. The Business Transformation Programme will aim to drive efficiencies across the Council from areas including the Corporate Procurement Strategy and procurement initiatives. Major projects in progress at 31 March 2009 include the proposals for an ICT Managed Service and the provision of services to other councils.

The council reviewed its contract standing orders and financial regulations in the year and these were approved by full Council in the summer 2007. Revised procurement rules and processes have been adopted and further refinements identified so as to ensure continuing improvement and simplification, whilst maintaining appropriate governance checks.

The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through Cabinet, and more recently through the Audit Committee. Major changes to the overall risk profile of the council are reported through to members on the Audit Committee.

When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it. The Local Area Agreement sets out a range of outcomes that Peterborough and its various partnerships aim to achieve supported by clear, measurable targets and indicators. The constitution establishes a Partnership Framework which aims to ensure that all potential partnerships to be entered into by the Council have a common vision and clear objectives.

***Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles***

The Council has set out a clear statement of the respective roles and responsibilities of the Executive (known as the Cabinet) and of the Cabinet's members individually and the Authority's approach towards putting this into practise. The Council is governed by a constitution which sets out the main control mechanisms including the appointment of a monitoring officer. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved to full Council, there are a number of decisions which are made by Cabinet in accordance with the Local Government Act 2000. The role and form of composition of the Leader of the Council, and individual Cabinet Members is set out in Article 6 of Part II of the Council's Constitution. The Council's Constitution can be found at: <http://www.peterborough.gov.uk>. The Constitution provides that the Cabinet is responsible for all the functions of the Council that are not the responsibility of any other part of the Council. The manner in which

Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

The Council has set out a clear statement of the respective roles and responsibilities of councillors who are not part of the Cabinet, and councillors generally and of senior officers. All members of the Council attend council meetings. Councillors who are not part of the Cabinet are able to sit on the Scrutiny Panels (Health and Adult Social Care; Business Efficiency; Children's and Lifelong Learning; Community Development; and Environment) which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. These non-executive councillors also serve on regulatory committees (Audit; Planning and Environmental Protection; Standards; Licensing; and Employment). These regulatory committees consider a variety of non-executive functions. The general powers delegated to all Directors and specific powers delegated to individual Directors and Senior Council Officers are clearly set out in the Scheme of Delegation within the Constitution at <http://www.peterborough.gov.uk>.

The Council has developed protocols to ensure effective communication between councillors and officers in their respective roles. The Council's Constitution contains a significant amount of formal guidance in the form of procedure rules, codes, and protocols to ensure that councillors are aware of their roles, powers and duties in relation to the full Council Meeting, the Cabinet, Scrutiny and Scrutiny Panels, contracts and a Code of Conduct for Councillors. The Constitution also contains codes and protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.

Information bulletins are circulated to Councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this way the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages. Also, the Council operates a Members' Enquiry service for all councillors to refer ward based issues to officers of the Council for investigation and comment.

The Leader and the Chief Executive recognise their role in ensuring good governance emanates throughout the organisation. They are acutely conscious that all the evidence shows that effective, complimentary working between a leader and a chief executive is key to the effectiveness of a local authority. They have therefore developed a clear understanding of their respective roles within the context of the Council's objectives. Their regular meetings help ensure that they communicate frequently and effectively and share intelligence on any issues where role confusion might otherwise be possible.

The Council has in place mechanisms to allow effective, independent and rigorous examination of the proposals and decisions of the Cabinet by Scrutiny Committee. Key decisions are taken at full meetings of the Council or Cabinet and are published in a forward plan. The Scrutiny Committee has no decision making powers but monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the Council. The Chairman or any Councillor can call in for review by the Scrutiny Committee any decision made by the Cabinet or by individual Portfolio Holders. Scrutiny Committee meetings are open to the public. In order to facilitate greater transparency and challenge within the organisation, in May 2006, Full Council

agreed to the establishment of a separate Audit Committee in line with recognised best practice within local government.

The Council has set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective Employment Committee. Remuneration terms and conditions of the Council's officer base are strategically managed by the Human Resources Division within the Chief Executive's Directorate. Individual Directors are responsible for Human Resources issues within their service areas for staff below Head of Service level. In addition, the Council implemented a job evaluation scheme in March 2008 which has been utilised to establish single status harmonisation. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.

The Council has determined a scheme of delegated and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decisions by the Council taking account of relevant legislation and it ensures that it is monitored and updated when required. The Council's Scheme of Delegation is included in the Constitution which is updated as required. This clearly sets out functions reserved to the Full Council Meeting, the Cabinet Councillors, collectively and individually, and other decision-making bodies of the Council including officer delegated powers.

The Constitution contains a list of Policy Framework items which must be approved by the Council Meeting and in respect of which the view of Scrutiny Committees and the Cabinet Meeting collectively are considered.

The Council ensures that effective management arrangements are in place at the top of the organisation. The Council has made the Chief Executive responsible and accountable to the authority for all aspects of operational management. The Chief Executive as Head of Paid Services is responsible for all matters associated with the professional management of the Council. Following consultation during summer 2008, a new senior management structure was introduced in September 2008. The Chief Executive is assisted by a Deputy Chief Executive and Executive Directors, each of which is responsible for a designated strategic area of the Council's service. The overall management structure of the Council, showing in general terms how officers are deployed and managed, is published in Part 7 of the Constitution.

The Council has in place an Executive Director (Resources) to be responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The functions of the Executive Director (Resources) as the Council's Section 151 officer are set down in statute and are defined in the Constitution. As part of their function, there is a requirement to present fairly the financial position of the Council at the accounting date and its income and spending for the financial year (ended 31 March 2009), including:

- Selecting suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Complying with the Code of Practice on Local Authority Accounting in Great Britain, together with International Financial Reporting Standards;
- Keeping proper, up to date accounting records; and
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director (Resources) is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

In addition the Council has appointed a Monitoring Officer to be responsible for maintaining the Council's Constitution, the promotion and maintenance of high standards of conduct and has the status to provide advice and support and to co-ordinate training to Members. The Council employs a Council Solicitor to ensure that all applicable statutes, regulations, and other relevant statements of good practice are complied with. The functions of the Council's Monitoring Officer are clearly set out in Article 11 of the Constitution.

***Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour***

The Council has designated the Solicitor to the Council as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Chief Executive and Executive Director (Resources) they will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Furthermore, the Council has put in place arrangements to ensure that its procedures and operations are designed in conformity with the appropriate ethical standard. The Constitution provides that the Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct and ethics through the provision of support to the Standards Committee. The Standards Committee and the Monitoring Officer monitor the procedures and operations to ensure their continued compliance.

The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities - published in Part 5 of the Constitution - defining the standards of behaviour such as:

- Members Code of Conduct
- Officers' Code of Conduct
- Member / Officer Protocol
- Planning Code of Conduct
- Member Declarations of Interest
- Gifts and Hospitality

The Council has developed and maintained an effective Standards Committee, with independent members including the Chair, which acts as a means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture. The terms of reference are clearly set out in the Constitution. The Council has adopted the Code of Conduct which provides that members must declare personal interests in matters and also not take part in the decision making process if they have a prejudicial interest.

The Council has put in place arrangements to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interests in dealing with different stakeholders and has put in place appropriate processes, such as the Officers Code of Conduct, to ensure that they continue to operate in practice.

Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards. Lexcel accredited practices undergo rigorous independent assessment every year to ensure they meet required standards of excellence in areas such as client care, case management and risk management.



The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. This quality framework ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

Building Control Services and Library Services have achieved accreditation under the Charter Mark standard, which is the government's national standard for excellence in customer service.

The financial management of the Council is conducted in accordance with the financial rules set out in the Constitution and with Financial Regulations. The Council has designated the Executive Director (Resources) as the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The appropriate governance arrangements are put in place to ensure that:

- Accounts and financial records meet the requirements of statutes, regulations, accounting conventions and codes of practice.
- An independent audit function is maintained to carry out an examination of accounting, financial and other operations of the Council.
- Financial statements are in place across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.

The Council has a Medium Term Financial Strategy, reviewed annually, under which it plans its finances over a three year rolling period. The Council sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. Budget monitoring reports are taken to Management Teams and Members on a regular basis.

The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". The Head of Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.

***Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk***

The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. The Council's established scrutiny function consists of a number of Scrutiny Panels and an overall Scrutiny Committee. The function is reviewed regularly. An annual "Scrutiny report" is produced. The Council also participates in a number of joint scrutiny arrangements, principally with local health authorities.

The Scrutiny Panels review and / or scrutinise decisions made or actions taken in connection with the discharge of any of the councils functions.

<b>FULL COUNCIL</b>
<b>CABINET</b>
<b>Scrutiny Committee</b>



<b>Scrutiny Panels</b>	<b>Regulatory Committees</b>
Health and Adult Social Care	Audit
Business Efficiency	Planning and Environmental Protection
Children's and Lifelong Learning	Standards
Community Development	Licensing / Licensing Act 2003
Environment and Community Safety	Employment

The regulatory committees each have a specific function.

- **Audit.** To provide assurance about the adequacy of the internal controls; financial accounting and reporting arrangements; anti-fraud and anti-corruption arrangements; that effective risk management is in place; and issues raised by internal and external audit. The expectation from this committee is that its work is intended to enhance public trust in the corporate and financial governance of the council. This committee was first established in June 2006 and is based on best practice as prescribed by CIPFA. The Council has a confidential reporting policy ('Whistleblowing') which is embedded in the constitution and has been publicised to staff. The policy is also on the Council's web site so that contractors are aware of the policy. Any reports under whistleblowing are also reported in to committee.
- **Planning and Environmental Protection.** The committee decides planning applications for building development, including new homes, commercial buildings, alterations and change of use, where permission is not granted under delegated authority. There is also an enforcement function, where breaches of planning control are referred to the committee. To ensure that the citizens of Peterborough can engage with the Council a public speaking scheme is in operation.
- **Standards.** Standards Committee is a group of ten people appointed by the council to promote high standards of conduct by city councillors, parish councillors and co-opted members. Five committee seats are taken by independent people - ordinary members of the public who have responded to our advert in the local press and applied to join the committee. They give their time voluntarily, to serve the community. One of these independent people chairs the committee. The remaining places are made up by five city councillors being representatives from each political party. Two elected parish councillors also sit on the committee. The committee promotes and maintains high standards of conduct by city and parish councillors, encourages all councillors to observe the Code of Conduct, informs councillors about the Code of Conduct and helps them to avoid inadvertent breaches, arranges training on matters relating to the Code of Conduct and deals with any complaints about breaches of the Code of Conduct by a councillor which have been referred back to the city council by the national Standards Board for England. Since 2008, complaints have been investigated within the Council by the Corporate Fraud team.
- **Licensing / Licensing Act 2003.** The Licensing Committee considers whether to issue, suspend, revoke, refuse to renew, or amend conditions to licences such as hackney carriage and private hire vehicles where not delegated to officers, or the relevant officer has referred the application to the Licensing Committee. Separately, the Licensing Act 2003 Committee considers whether to grant, refuse or amend conditions to licences for premises that serve alcohol, late night refreshment and / or provide entertainment where the council has received representations from relevant authorities or interested parties.



- Employment. The Employment Committee appoints senior officers and decides terms of employment, determines employee procedures and implements the council's equal opportunities policy. A separate sub-committee hears employee appeals.

In addition to the regulatory committees above, there are two other committees in operation which are not public meetings, these being the Members' Allowances Committee and the Appeals Committee (Service Issues). The Members' Allowances Committee is an independent panel consisting of members of the public and is held annually. The committee recommends to council a scheme of payments to councillors in recognition of their public service and advises on appropriate levels of allowances to cover expenses. The Appeals Committee (Service Issues) can call upon the Appeals Panel for additional members to hear particular appeal cases. This will ensure that sufficient members are available to hear appeals, the members hearing an appeal must have received relevant training in the issue in question, and that members hearing an appeal were not involved in the original decision which is in question.

To ensure that professional advice on legal and financial matters is available and recorded well in advance of any decision and is used appropriately when decisions have significant legal or financial implications. The Council's decision making procedures specifically require the inclusion of legal and financial advice in reports on matters requiring an Executive decision.

As well as decisions made by Members, ongoing managerial decisions must be made to ensure the business is provided. Various principles, protocols, policies and procedures are in place to ensure there is a consistent treatment across the council.

***Principle 5: Developing the capacity and capability of members and officers to be effective***

In developing Members' skills, the Council has an overall development strategy for Members. This strategy states that the Council is committed to providing learning and development opportunities to assist members in developing and maintaining the skills and knowledge required in fulfilling their roles as members. The Council's stated commitment is to develop a supportive learning environment for member development to encourage members to make full use of learning and development support.

The council does provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. The Council has a comprehensive induction scheme for Members which covers all aspects of the council together with specific targeted training for key committee work. As and when new members are appointed, this is delivered. In February 2008, the Council issued an Audit Committee Handbook to assist in the development of audit committee members. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations. The line manager is responsible for ensuring that the induction process is tailored to the needs of the individual and for ensuring that the process is carried out thoroughly and effectively. Each induction must conform to the minimum standards set out in the Council's checklist.

The Head of Paid Service, Chief Financial Officer and Monitoring Officer are all given clear and specified roles within the Constitution. The Constitution provides that these officers will have the appropriate resources given to them in order to perform their statutory roles.

For officers the Council has comprehensive job descriptions and person specifications to ensure that staff have the skills to carry out those roles and thereafter the Council is committed in ensuring appropriate training for staff. Developing skills on a continuing basis to improve performance including the ability to scrutinise and challenge, and to recognise when outside expert advice is needed. The Council has a comprehensive review, Annual Performance and Development scheme, which ensures that performance is constantly being improved and monitored. Where capability issues are identified, appropriate processes are in place to try to resolve these.

A comprehensive business transformation programme is in place to improve / simplify the processes and procedures in place to make the council more efficient and accessible. This ongoing programme of events, once these are embedded, the council will be more effective.

***Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability***

The Council has made clear to itself, all staff and the community to whom each part of the Council is accountable and for what. This is set out in the Council's Constitution.

It has a well developed communication strategy that sets out the channels of communication that are to be used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.

It uses a range of measurements, all dependent on the aims and objectives of the individual campaigns to measure their effectiveness. The Council also uses Best Value Performance Indicator information on satisfaction with communication with and from the Council as a measure of the effectiveness of its communications.

The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. This is demonstrated by the fact that the Council has well established methods of engaging with the community including:

- Citizens Panel;
- Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people;
- Employee forums / Joint consultative forum;
- Voluntary and community sector network;
- One-off consultation events;
- Public meetings.

All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis.

On an annual basis the Council publishes the Corporate Plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year. The backward looking section of the plan outlining information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.

Council employees also need to see accountability and the protection of their rights. The Council's confidential reporting policy (Whistleblowing) is set out in the Council's Constitution. The policy states that the Council is committed to the highest possible standards of openness, probity and accountability. The policy aims to:

- encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice,
- provide avenues for employees to raise those concerns and receive feedback on any action taken,
- ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied,
- reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith.

The policy sets out in detail the safeguards that apply. In addition, the Council has a range of effective policies and procedures including:

- Code of Conduct for Employees
- Health and Safety Policy
- Grievance Procedures
- Diversity and Equalities Policies
- Dignity at Work Policy

When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear and demonstrable to the public what happens to any feedback and the positive changes that are made as a result. All consultation activity carried out by the Council is registered on the Corporate Register of Consultation. The Council issues Consultation Guidance to all members which sets out clear processes to be followed as well as helping to identify the most appropriate methods of consultation and feedback, depending on the audience.

### **Review of Effectiveness**

Peterborough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Following new guidelines issued on governance by CIPFA / SOLACE, the Head of Internal Audit produced a revised Local Code of Governance. This was endorsed in March 2008.

Peterborough City Council has adopted the Leader and Cabinet model of political management under the Local Government Act 2000. Ultimate authority rests with the Council meeting as a corporate body ("Full Council") but policy in specific areas is delegated to Cabinet portfolio holders. Minutes of all meetings are freely available. The Council has a Conservative administration. This has operated effectively throughout the year, with difficult decisions being taken through formal routes, maintaining transparency in the process. Scrutiny Committee provides assurance across a wide range of corporate governance issues. It can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable it to consider whether the decision is

appropriate. As detailed above within the Governance Framework, various committees and Scrutiny Panels have been established to allow Members to establish "task and finish" groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet.

Member elections are conducted on a rolling basis over a four year cycle. This allows the electorate to approve the Council's policies and practices by re-electing Members who have displayed good governance credentials, and facilitates democratic accountability. It also presents an opportunity for a more diverse population representation on the Council. In recent years Peterborough has been subject to a number of cases of electoral fraud. Following a review of the internal processes, changes were successfully implemented during the May 2008 elections.

The Standards Committee enables member scrutiny to be undertaken in a formal setting. This committee reinforces the corporate governance credentials of the Council and ensures that infractions of the established governance procedures are examined. Each meeting receives reports from the Monitoring Officer and details of any referrals from the Standards Board for England. Other issues discussed during the year have included a new Code of Conduct for Members, a revised Local Code of Conduct in relation to Planning and Licensing, and the CRB checks for Members. Recent changes in legislation now allow the Standards Committee to assess complaints made against Members locally, and to enable this to happen, Peterborough has developed its own protocol in this area.

The Audit Committee is an established component of the corporate governance regime. It undertakes the core functions of an audit committee following CIPFA guidance outlined in the *Audit Committee - Practical Guidance for Local Authorities*. The committee meet regularly and reviews financial information including the annual statement of accounts and governance statement, quarterly internal audit performance reports, external audit reviews, risk management updates including reviews of the overarching strategy, and fraud related matters. Annually, the Internal and External Audit Plans are approved through the committee.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual plan, and from which the annual workload is identified. There are a number of key factors for assessing the degree of risk within each auditable area. These have been used in Internal Audit's calculation and are based upon the following factors: control environment, management arrangements, materiality, system complexity and corporate significance. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and / or chief officer. On a monthly basis, completed reports are also circulated to the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee. Each report includes recommendations for improvements that are included within an action plan (and graded as Critical, High, Medium or Low) and requires agreement or rejection by service manager and / or chief officers. The process includes follow up reviews of recommendations to ensure that they are acted upon, usually within six months. All audit reports are graded in terms of an assessment on the overall control environment in place within that system. Current opinion classifications are shown overleaf:

Full assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks
Significant assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks
Limited assurance (*)	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority
No assurance (*)	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives
<p>(*) Reports with these ratings are reported to the Audit Committee for member scrutiny</p> <p>A rating of No Assurance requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date.</p>	

The Internal Audit service is subject to regular inspection by PricewaterhouseCoopers, our external auditors, who place reliance on the work carried out by the section. During 2007 the Internal Audit service was subject to external review by PwC and this was followed up in January 2009. A number of recommendations were made and have been implemented.

The Head of Internal Audit provided an annual opinion on the status of the Council in terms of the governance and overall controls. For this year they have provided an unqualified opinion.

Risk management is handled through a range of mechanisms outlined in the previous section. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.

There are various sources of assurance the Council has gained in order to underpin its framework. These include:

- Assurance from Directors. A separate annual evaluation questionnaire is circulated to Executive Directors. Covering their strategic role, the questionnaire evaluates:
  - Policy and decision making;
  - Service delivery;
  - Strategic and Operational Risk Management;
  - Performance management;
  - Partnerships with other public bodies, voluntary and community organisations;
  - Financial and asset management;
  - Staff;
  - Information governance; and
  - The control environment.



- Assurance from Heads of Service. All Heads of Service are requested to complete an annual assurance statement which covers all aspects of their managerial role. This is used to confirm that corporate governance processes, risk and internal control systems have been operating within their areas of responsibility. It covers such areas as:
  - The control environment for establishment of principal statutory obligations and organisational objectives;
  - Identification of Principal Risks to Achievement of Objectives;
  - Identifying and Evaluating Key Controls to Manage Principal Risks; and
  - Obtaining Assurance on Effectiveness of Key Controls
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. During 2008, the Audit Commission undertook a comprehensive review of the workings of the Council. This included reviewing the Council's Direction of Travel; revisiting the Corporate Assessment Use of Resources position; and various value for money and compliance reviews. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2009 for the financial year 2007 / 2008, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 30 March 2009. The main conclusions from the Letter are:
  - Deadlines for the production and publishing of final accounts by 30 September 2008 were met, and an overall unqualified audit opinion provided;
  - An overall underspend on the budget was achieved in 2007 / 2008;
  - Continued progress in management arrangements relating to data quality, although a number of elements could be improved further, for example partnership working data quality;
  - Continued improvements in a number of Use of Resources Comprehensive Performance Assessment areas. In particular significant improvements in Internal Control since 2007;
  - The council maintained its score of "performing well" overall;
  - Significant challenges for future years include the move towards the Comprehensive Area Assessment; the economic downturn and its impact on the growth and regeneration programme; the transformation of practices within Children's Services; and the completion of major capital schemes.

The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee

### **Significant Governance Issues**

The review of the effectiveness of the governance framework has identified some issues which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system. The issues were identified as a result of the review of arrangements and by the work of external and internal audit. Whilst there are no "significant" control deficiencies to report, the following are included as issues that may attract public interest.

The 2007 / 2008 Annual Governance Statement identified 5 key areas as issues to be addressed which have required attention to ensure continuous improvements are

delivered. Regular reports have been taken to Audit Committee providing progress against the agreed actions.

<b>Governance Issues 2007/08 – Progress made:</b>		
<b>Activity</b>	<b>Area for Improvement</b>	<b>Lead Officer / Progress</b>
2008-01	Management of the Private Finance Initiative (PFI)	<p>The Council signed up to a PFI for the transformation of secondary school education. Regular monitoring is required to ensure that the project delivers to its objectives and those risks are appropriately identified and mitigated.</p> <p>Director of Children Services</p> <p>Ongoing monitoring is undertaken of the PFI contract.</p> <p>Specific accounting treatment is maintained within the council's accounts to ensure correct recording of charges over the life of the contract.</p> <p>Ongoing.</p>
2008-02	Development of Local Area Agreements	<p>The authority is increasingly engaged in partnership working with both the public and private sector. There is an increased expectation in terms of establishing assurance on governance arrangements for the growing number of partnership and joint working activities.</p> <p>Original remit of Assistant Chief Executive. Lead Officer has reverted to the Deputy Chief Executive following a review of the senior management structure.</p> <p>Agreements have been established with each provider - whether public, private or voluntary sector. Continue to roll out the partnership protocols developed and the associated toolkit.</p> <p>Ongoing.</p>
2008-03	Business Continuity	<p>Business continuity is a risk for every business. The Council needs to ensure those services which are required to produce and test business continuity as well as (emergency) resilience plans, do so.</p> <p>Original remit Director of Environment and Community Services. Lead Officer has reverted to the Executive Director (Operations) following a review of the senior management structure.</p> <p>During 2007, an actual incident took place, the flooding of a key council building, resulting in a business continuity plan being put into action. Following this, a working group was set up to establish the lessons to be learnt, and any further changes required to ensure smoother delivery / mitigate any future disasters. Various developments and changes have been proposed and these have been communicated and endorsed by CMT.</p> <p>Ongoing business continuity and disaster recovery exercises are undertaken, the last being in December 2008, primarily in relation to the cessation of ICT systems / buildings. Further exercises based on different scenarios are planned on an ongoing basis.</p> <p>Ongoing.</p>
2008-04	Safeguarding electronic data	<p>Fundamental reviews of the ICT infrastructure during the year have established a clear blue print to ensure the protection of the interests of the council, its employees and the</p> <p>Executive Director (Resources)</p> <p>Whilst the council itself has not experienced any data losses, it is mindful of incidents in other public sector bodies. An incident team was created in October 2008 with the Primary Care Trust (and coordinated by them) following a potential issue within a family centre. Exemplary</p>



Governance Issues 2007/08 – Progress made:		
Activity	Area for Improvement	Lead Officer / Progress
	citizens of Peterborough.	<p>practice was followed.</p> <p>Flowing from this, various encryption arrangements have been put in place in relation to laptops within the Council and the use of USB data sticks has been restricted.</p> <p>Increased awareness has been made across the Council with the establishment of separate pages on Insite detailing practical advice on data security.</p> <p>Within the Council, a working group has been commissioned to look further in to the safe storage and transfer of data to authorised sources. The Council has to be compliant with a number of government initiatives, for example, Government Connect project by 31 March 2009, although the deadline for all councils has been extended to 30 September 2009. An action plan is in place to deliver, which includes changes to the IT architecture and councils policies. This is a time critical project to provide a secure environment for data exchanges. If the Council fails to meet the deadline, central government departments will cease to support information exchanges (in particular DWP).</p> <p>Ongoing.</p>
2008-05	Data quality	<p>Data quality arrangements were assessed as weak by the External Auditors.</p> <p>Executive Director (Resources)</p> <p>Data quality arrangements have improved, with the externally assessed score moving to a 3 (from 2). A Data Quality policy and strategy has been implemented and regularly reviews are undertaken of data quality and the establishment of expected standards by Performance Improvement.</p> <p>Regular monitoring reports are taken to CMT.</p>

The following have been identified as being key governance issues for action during 2009 / 2010.

Governance Issues 2008/09		
New Activity	Area for Improvement	Lead Officer
2009-01	<p>Credit crunch - lower income</p> <p>Direct impact from the credit crunch places pressure on the Council's ability to meet its Medium Term Financial Strategy and corporate priorities within allocated budgets.</p> <p>Budgets have been scrutinised to identify savings without cutting services. Ongoing monitoring of costs and income levels are required to ensure that budgetary pressures are identified on a timely basis throughout the year.</p>	<p>Executive Director (Resources)</p> <p>Monthly budgetary control reports to Corporate Management Team</p> <p>Quarterly reports to Cabinet</p>
2009-02	<p>Credit crunch - increase in</p> <p>There has been an economic downturn across the whole community, whether in the form of</p>	<p>Director of Adult Social Services and</p>

<b>Governance Issues 2008/09</b>			
<b>New Activity</b>		<b>Area for Improvement</b>	<b>Lead Officer</b>
	service requirements	unemployment, reduced wages, shorter working hours etc. Because of the impacts on social well-being, there is a real possibility that there will be an increase in the need for council services.  Careful monitoring is required of any increased need for advice, counselling, mental health-type preventative services.	Performance  Ongoing
2009-03	Credit crunch - impact on capital disposal	The Council has a number of high profile projects in progress. There is extensive public interest and resources in the capital programme are limited. The Council must ensure that resources and risks are managed and prioritised effectively and that the budget is not overspent.	Executive Director (Resources)  The budget assumed a risk element for capital values and also the targets are closely monitored
2009-04	Collapse of Icelandic Banks and loss of investment	The Council undertook an immediate review of its investment arrangements following the failure of the Icelandic banks in October 2008, in which it has £3million invested. Separate reports have been taken to Cabinet and Scrutiny Committee covering the strategy. Ongoing updates to be provided.	Executive Director (Resources)  Ongoing review of lending list
2009-05	Effective governance	Further enhance effective corporate governance arrangements. This will be achieved by reviewing internal structures and democratic decision making processes. This will ensure that there is more effective coordination of governance arrangements and strong governance is more clearly and easily integrated within corporate decision-making.  Effective action is taken where non-compliance is found in either business process or legislation  Enhance arrangements to identify, receive and evaluate reports from non-audit internal and external assurance providers identifying areas of weakness in controls and to ensure risks and recommendations are addressed.	Solicitor to the Council  Ongoing
2009-06	Single status agreement	The Council has implemented the Single Status agreement which was made nationally between the National Joint Council for Local Government and Signatory Trade Unions in March 2008. A year on, the council is assured through an independent audit that its pay structure is now free of gender-based inequalities and therefore that the SSA has done its job. Nonetheless, there remain a number of specific appeals to consider, and litigation connected to "backward-looking" cases is progressing through the employment tribunals. The litigation itself and the awards that might be made should some cases succeed represent financial risk for the Council which is actively managed by a project board chaired by the Deputy Chief Executive with Human Resources, Financial and Legal attendance. The initial team of interims officers running the Job Evaluation process and SSA project has been replaced by a small in-house team funded from	Deputy Chief Executive  Quarterly review

<b>Governance Issues 2008/09</b>			
<b>New Activity</b>		<b>Area for Improvement</b>	<b>Lead Officer</b>
		within the significantly reduced Human Resources budget that has been achieved.	
2009-07	External Audit recommendations	Ensure that the actions raised by External Audit in various reports are addressed	Executive Director (Resources) Ongoing reports to Audit Committee
2009-08	Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Deputy Chief Executive Monthly reports to Corporate and Departmental Management Teams
2009-09	Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Deputy Chief Executive Quarterly reports
2009-10	Internal Audit Recommendations	Ensure that the actions raised by Internal Audit in various reports are addressed (specific emphasis on LIMITED or NO ASSURANCE)	Executive Director (Resources) Quarterly reports to Audit Committee
2009-11	Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	Executive Director (Resources) Regular reports to Business Efficiency Panel
2009-12	Audit Letter - service performance	Need to ensure there is an Improvement in performance in revenues and benefits (as identified in Audit Letter)	Executive Director (Resources) The overall quality of the Benefits Service is maintained as EXCELLENT. Collection rates are closely monitored and ultimate collection rates are being achieved. Production of monthly performance reports
2009-13	Risk management	Operational risk management now resides within the Operations Directorate. There is an ongoing need to ensure that risk management is fully embedded at an operational level in service management, aligned to performance management and define risk appetite.	Executive Director (Operations) Quarterly refresh of risk registers

Otherwise, there are no corporately significant governance issues reported for the year ended 31 March 2009. Issues that would have a material effect on the accuracy of financial statements of the Council for the year ended 31 March 2009 have not been found during Internal Audit work.

The constant change environment in which the Council operates also requires on going review of our governance arrangements. The changes in financing arrangements, together with new methods of service delivery embraced by the Council bring with them new risks and control issues. The Council will continue to monitor change and take appropriate action to manage risk arising from future developments in service delivery.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_  
Gillian Beasley, Chief Executive  
Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
Councillor Marco Cereste, Leader of the Council  
Date: \_\_\_\_\_

## Glossary

---

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

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

*Authority* – is a shortened name for ‘Local Authority’ – see below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Your Statement of Accounts

---

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

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

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

Please send your comments to the Head of Strategic Finance, Peterborough City Council, Manor Drive, Paston Parkway, Peterborough, PE4 7AP. (e-mail [FinanceManagementTeam@peterborough.gov.uk](mailto:FinanceManagementTeam@peterborough.gov.uk))

Thank you.

# Index of Notes to the Core Financial Statements

<b>Note</b>	<b>Description</b>	<b>Page</b>
1	<i>The Building Control Trading Account</i>	25
2	<i>Dedicated Schools Grant (DSG)</i>	25
3	<i>Pooled Funds &amp; Similar Arrangements</i>	26
4	<i>Exceptional Costs – Icelandic Banks</i>	27
5	<i>Provision for Bad Debt &amp; Doubtful Debts</i>	28
6	<i>Members' Allowances</i>	28
7	<i>Audit and Inspection Fees</i>	29
8	<i>Trading Operations</i>	29
9	<i>Retirement Benefits Local Government Pension Scheme</i>	30
10	<i>General Government Grants</i>	33
11	<i>Expenditure on Publicity</i>	33
12	<i>Local Authority (Goods and Services) Act 1970</i>	34
13	<i>Senior Employees' Remuneration</i>	34
14	<i>Interest in Companies</i>	35
15	<i>Related Party Transactions</i>	35
16	<i>Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance</i>	36
17	<i>Reserves and Balances held by Schools under Delegated Schemes</i>	36
18	<i>Intangible Fixed Assets</i>	37
19	<i>Analysis of Tangible Fixed Assets</i>	38
20	<i>Valuation Information</i>	39
21	<i>Depreciation Methodologies</i>	39
22	<i>Information on Assets Held</i>	40
23	<i>Foundation Schools, Voluntary Aided and Voluntary Controlled Schools</i>	41
24	<i>Financing of Capital Items</i>	41
25	<i>Commitments under Capital Contracts</i>	42
26	<i>Undischarged Obligations arising from Long Term Contracts</i>	42
27	<i>Capital Grants Applied</i>	42
28	<i>Financial Instruments Balances</i>	43
29	<i>Financial Instruments Gains and Losses</i>	44
30	<i>Fair Value of Assets and Liabilities Carried at Amortised Cost</i>	44
31	<i>Disclosure of Nature and Extent of Risks Arising from Financial Instruments</i>	45
32	<i>PFI Deferred Consideration Account</i>	49
33	<i>Revenue Expenditure Funded From Capital Under Statute</i>	49
34	<i>Stock and Work in Progress</i>	49
35	<i>Debtors</i>	50
36	<i>Creditors</i>	50
37	<i>Long Term Liability</i>	50
38	<i>Leasing Arrangements</i>	51
39	<i>Property Leases</i>	51
40	<i>Grants and Contributions Deferred Account</i>	51
41	<i>Provisions</i>	52
42	<i>Revaluation Reserve</i>	52
43	<i>Capital Adjustment Account</i>	53
44	<i>Usable Capital Receipts</i>	53
45	<i>Deferred Capital Receipts</i>	53
46	<i>Financial Instruments Adjustment Account</i>	54
47	<i>Reserves</i>	55
48	<i>Notes Relating to the Cash Flow Statement</i>	57
49	<i>Trust Funds</i>	59
50	<i>Contingent Liabilities</i>	59
51	<i>Contingent Assets</i>	60
52	<i>Authorisation of the Accounts</i>	60



This page is intentionally left blank