

# Statement of Accounts 2020/21

PETERBOROUGH  
25  
CITY COUNCIL





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# Peterborough City Council

## Statement of Accounts 2020/21

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# Narrative Report

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## 1. The Statement of Accounts

The Statement of Accounts brings together the major financial statements for the financial year 2020/21. The statements and the notes that accompany them give a full and clear picture of the financial position of Peterborough City Council.

The sections are:

- Narrative Report – An overview of the Council’s financial and operational performance, main objectives, key risks and strategies for future service delivery
- Statement of Responsibilities – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts
- Comprehensive Income and Expenditure Statement – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation
- Movement in Reserves Statement – The movement in the year on the different reserves held by the Council
- Balance Sheet – The value of the assets and liabilities recognised by the Council at 31 March 2021
- Cash Flow Statement – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties

- Notes to the Financial Accounts – The Statements are supported by technical notes
- The Collection Fund and Notes – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council
- Group Accounts - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.

The statement of Accounts been prepared in accordance with statutory requirements, detailed in:

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

## 2. Our City

Peterborough is one of the UK's fastest growing and successful New Towns. In 2020 the city's population was estimated at 202,259, a 13% increase since 2009, with projected population forecast to reach 214,847,688 by 2025.



Peterborough has a diverse and multicultural community, with over half the world's nationalities represented within the City and over 150 languages spoken.

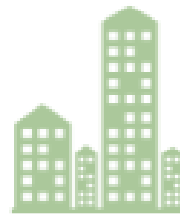


Alongside this growth in population the local economy is buoyant, with over 7,500 registered businesses including the headquarters of companies such as CITB, British Sugar and Whirlpool. In 2020 Peterborough accounted for one third of all new business start-ups in Cambridgeshire and was the second highest in the East of England.

Peterborough spans over 343km<sup>2</sup>, covering 22 electoral wards. It is home to the Nene Park country park, amongst a host of other green open spaces, some of which hold Green Flag Awards making them some of the best open spaces in the country.



The Council is supporting the city's economic success with a 'Regeneration and Growth Strategy', which outlines investment of £600m across eight key development sites. This includes schemes covering North Westgate, Northminster and the University, which will provide accessibility to higher education and ensure the attainment of skills.



The City is positioned next to the A1(M), A47 and A11, and the East Coast mainline which is a 39-minute train ride to London. This attractive location provides easy transportation links to London and the North.

In the past year a total of 1,145 new homes were completed with an average of 1,100 new homes per year for the last five year. House prices in Peterborough now average at £243,079.



Peterborough is an historic town with heritage dating back as early as the 7<sup>th</sup> century. Its home to a 900-year-old Norman cathedral amongst other attractions such as the Museum and Art Gallery, Flag Fen, the Lido and Rail World.

## 3. Our Council Services

The Council provides a breadth of services to the community and businesses. It employs 1,178 members of staff and holds key contracts with Serco, Milestone, and Aragon Direct Services who provide services on the Council's behalf.

The Council prides its self in partnership working and works closely with other Cambridgeshire Local Authorities, NHS health organisations, in addition to the voluntary sector, in order to provide value for money services which deliver outcomes and meet the needs of the community.

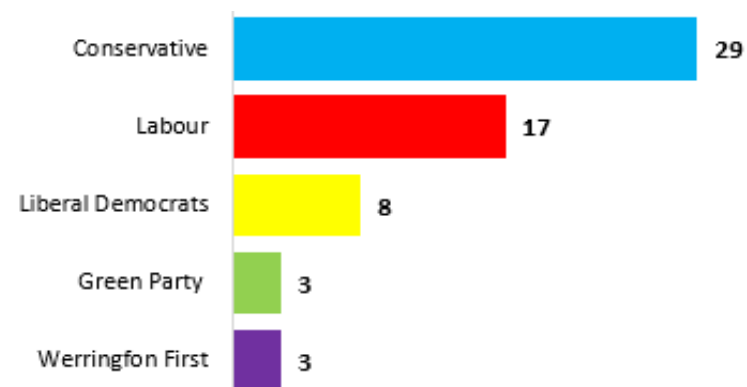
Although the Council has faced challenges in recent years, it has continued to provide vital services, demonstrated by these key achievements from the past 12 months include:

- Looked after 363 children in care, and supported a further 192 children through adoption and residency placements, providing them with more stability and permanency.
- Supported 257 homeless households in temporary accommodation, and a further 142 rough sleepers requiring accommodation due to the impact of Covid-19.
- Supported 2,203 adults to remain independent in their own home, 2,443 adults with long term care packages and 553 adults with shorter term reablement care.
- Registered the birth of 4,082 babies.
- 83.9% of the Schools in the City were rated good or outstanding by Ofsted.
- Cleared up 10,290 fly-tips.
- Collected 19,000 tonnes of recycling.
- 2,603 potholes were repaired and 26.2 miles of roads were resurfaced.
- Maintained 562 miles of roads, 719 miles of footways, 279 miles of cycle ways, 366 structures, 24,000 street lights and 114 set of traffic signals.

- The Council was rated 1<sup>st</sup> out of 109 other UK highways authorities for 'overall satisfaction' as part of the National Highways and Transport Survey.

#### 4. Council Democracy

The Council has 60 councillors which make up the following political representation:



The Council's Constitution<sup>1</sup> sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. The Council annually selects a Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services. The role of Cabinet is for:

- Providing leadership.

<sup>1</sup><https://democracy.peterborough.gov.uk/documents/g3851/Public%20reports%20pack%2007th-Jun-2021%20Constitution.pdf?T=10&Info=1>

- Running services and ensuring best value is delivered.
- Implementing policies and delivering services.

The Council's Scrutiny Committees cover specific service areas, including a specific committee designed to scrutinise budget reports. These committees support the work of the Cabinet and the Council by:

- Monitoring decisions of the Cabinet and holding them to account where required.
- Allowing all Councillors, members of the public and partners to have a say, highlighting areas of concern.
- Make recommendations to Council to support the development of policies and decisions.

The Regulatory Committees are responsible for the functions which Cabinet, by law cannot undertake, or those that the Council has agreed should not be considered by Cabinet. This includes the Audit Committee, which is responsible for providing independent scrutiny of the Council's financial statements and risk management.

During 2020/21, as a result of the Covid-19 pandemic, these meetings were held virtually, with members of the public able to view the meetings live via YouTube. This change in approach ensured the safety of officers and Councillors and adherence to the social distancing requirements.

## 5. Peterborough's Vision and Strategic Priorities

The Council's vision is to improve the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings, to create a truly sustainable Peterborough.

The Council's priorities to deliver this vision are:

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

The Medium Term Financial Strategy (MTFS) outlines how the Council will deliver these services within the resources available to the Council.

At the time of writing this report the Council has published a new Corporate Strategy 2021/2025 which Cabinet has endorsed. This is expected to be adopted by Council following a period of consultation and will replace the strategic priorities noted above.



## 6. Managing Organisational Performance

The Council has arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to deliver value for money services to residents.

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report (BCR) is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2020/21. During 2020/21 the BCR was enhanced to further promote engagement and understanding, and facilitate strong scrutiny of the Council's financial performance. In addition, monthly financial performance reporting was completed to focus on the financial implications of the Covid-19 pandemic.

Since Summer 2019 enhanced financial and human resources planning controls have been in place to ensure the Council operates within its financial envelope. These controls include:

- all recruitment and agency requests reviewed by a panel.
- detailed business cases for all expenditure in excess of £10k.
- reviewed the effectiveness and operation of financial and human resource controls across the organisation.
- all expenditure over £1k requiring Chief Finance Officer approval.

With the added layer of financial complexity brought by the Covid-19 pandemic the financial controls were further enhanced to ensure the costs being incurred, as a result of implementing government policy or guidance, had received approval from the relevant director. A tracking tool was established to meet these additional needs, which also allowed weekly financial reporting to CMT and Cabinet and the completion of monthly financial

management reports to Ministry of Housing, Communities and Local Government (MHCLG).

A Rapid Implementation Team (RIT) is in place to ensure saving plans are delivered, and new savings proposals are developed. Progress is reported to each Budget CMT meeting.

In April 2021 a smaller Executive CMT group was established, in recognition of the financial challenges facing the Council and the pace needed to develop savings proposals. This group strengthens the current officer led financial governance structure and provides an additional escalation route in order to approve work or resolve issues which may otherwise delay progress.

Budget CMT are dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new saving proposals and ensuring effective financial performance in areas such as debt, capital programme and the revenue budget, in addition to the management of financial risks to Council's budget.

All budget proposals and financial plans are scrutinised by Budget CMT, the Cabinet Policy Forum and a Cross-Party Budget Working Group. They are then considered by Cabinet and Joint Budget Scrutiny Committee, and consulted with the public and external stakeholders, prior to being recommended to Council for final approval.

The Council operates a risk management approach which is linked to the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement which is included as an annex to this document.

An officer led Capital Review Group met on regular basis throughout 2020/21. This group has the responsibility of reviewing all aspects of the Council's capital programme. This

year the group has been primarily focused on reducing the capital programme to a value which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2020/21 Capital Budget to £83.0m from £158.6m in April 2020.

The Council's Treasury Management Strategy (TMS) contains the Council's Prudential Indicators, which are set each year as part of the budget setting process. These indicators are designed to assist members' overview and confirm the cost of the capital programme is sustainable. The capital programme and treasury activities are monitored throughout the year, with performance against the indicators reported to members twice a year. The final performance for these indicators is included in the Council's outturn report to Cabinet and Audit Committee.

Other key performance indicators (KPIs) include the Council's payment and debt collection performance and are contained in the outturn report to Cabinet and Audit Committee. The following are a sample of the 2020/21 KPI's reported:

- Prompt payment of invoices to suppliers – 86.2% (80.8% 2019/20) of invoices are paid promptly (within 30 days).
- Collection of debtor balances – a total of £69.7m (£66.5m 2019/20) of invoices was raised with a total of £64.4m (£64.7m 2019/20) collected, across all sundry debt.
- The collection of council tax and business rates – Council tax collection rate for was 95.16% (95.81% 2019/20) and the business rates collection rate was 81.83% (97.89% 2019/20).

## 7. Revenue Position

### *National context*

Before the Covid-19 pandemic in March 2020, local government faced challenges as a result of growing demand for services, an increase in the complexity of care and support required and a reduction in funding.

The sector had been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets.

As a result of the scale of the changes required, and the impact of the Covid-19 pandemic, the Fairer Funding Review (FFR) and associated Business Rates system changes have been postponed into future years. This extends the period of financial uncertainty into the future.

Nationally, Covid-19 has had a significant impact on council finances. The latest Covid-19 financial management information analysis published by MHCLG, identified additional pressures and lost income of £11.9bn. This included:

- £6.9bn of cost pressures including Adult Social Care, Homelessness, supporting residents that were shielding and lost savings opportunities.
- £2.3bn income losses in respect of Business Rates and Council Tax.
- £2.8bn lost 'Sales Fees and Charges' and commercial income.

Government has supported local authorities and provided funding which has been:

- Targeted at the additional activities to be carried out.

- Targeted at areas of financial loss from social restrictions. such as the Sales Fees and Charges scheme or the Tax Income Guarantee Scheme.
- Un-ringfenced Covid-19 Response fund, to support the additional day-to-day cost or responding to the pandemic.

Specific Covid-19 related grants are outlined in further detail in the Going Concern Note 45, page 78.

For Local Authorities, including Peterborough, financial support is required to ensure a balanced budget in 2020/21 and 2021/22. In February MHCLG confirmed conditional Exceptional Financial Support (EFS) for the Council along with eight other authorities.

#### **Local context**

The Council has been operating in challenging financial circumstances for several years, as a result of rising demand for its services, increased costs and reductions in funding from central government. Additionally the Council has been exposed to greater levels of risk due to its low reserves balances. The Covid-19 pandemic has had a significant impact on the Council's finances in 2020/21 and is expected to continue in the longer-term as a result of the rising demand for adults and children's social care services, difficulty delivering savings plans and loss of income.

The following table shows how directorates performed against budget in 2020/21 with further detail and explanation contained in the Outturn Report<sup>2</sup> as presented to Cabinet on 21 June 2021 and Audit Committee on 29 July 2021.

<b>Net Revenue Expenditure</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Cont to Reserve £000</b>	<b>Variance £000</b>
Chief Executives	1,303	1,220	-	(83)
Governance	4,322	3,925	-	(397)
Place & Economy	21,716	22,639	109	1,032
People & Communities	72,940	80,611	1,690	9,361
Public Health	(372)	(494)	122	-
Resources	19,254	19,643	607	996
Customer & Digital Services	7,764	6,629	-	(1,135)
Business Improvement	623	692	-	69
Capital Financing	29,187	24,789	-	(4,398)
<b>Total Expenditure</b>	<b>156,737</b>	<b>159,654</b>	<b>2,528</b>	<b>5,445</b>
C-19 Response Fund	-	(18,665)	-	(18,665)
C-19 – SFC* & LTIGS	-	(6,015)	-	(6,015)
Financing	156,737	(177,728)	21,108	117
<b>Net Expenditure</b>	<b>156,123</b>	<b>(42,754)</b>	<b>23,636</b>	<b>(19,118)</b>
Contribution to C-19 Funding Reserve (see Note 16)				12,481
Contribution to C-19 Tax Income Reserve (see Note 16)				2,302
<b>Transfer to Capacity Building Reserve</b>				<b>(3,975)</b>

\* SFC – Sales, Fees and Charges income  
# LTIGS – Local Tax Income Guarantee Scheme

The final revenue outturn for 2020/21 is a £4.0m underspend. This position includes a contribution to reserves.

Movements on reserve balances are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), Note

<sup>2</sup> <https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4599&Ver=4>  
(Agenda Item 7)

16, page 51. This Note provides detail as to the purpose of each of the earmarked reserves.

### **Reserve Balances**

The Council held General Fund and Earmarked reserves balances of £66.1m at 31 March 2021, however only £14.1m remains uncommitted, un-ringfenced and available for use for transformational investment or for any unforeseen incidents, such as a major child protection issue or other risks.

The largest contribution to reserves relates to £20.2m of Business Rates (NNDR) Section 31 grants and £15.1m funding committed to meet future expected costs as a result of Covid-19. These reserves are forecast to be fully utilised, and in the case of the Business Rates section 31 grant the full use of this reserve has been built in to the 2021/22 budget to mitigate the financial impact of the Collection Fund deficit, see The Collection Fund, page 87.

As at 31 March 2021, the balance on the General Fund is £6.0m. This was reduced to £5.1m in 2019/20, due to a timing difference in respect of Section 31 grant income associated with business rates with the general fund used to mitigate the variance in income receipt. As planned within the MTFs this has now been fully replenished.

Schools balances totalled £4.7m at 31 March 2021, compared with £3.2m at 31 March 2020. This increase reflects a reduction in schools expenditure as a result of school closures and social distancing restrictions resulting from Covid-19. The Council has a mechanism for reviewing the level of reserves balances for schools and allows up to 8% of their delegated budget share to be held.

The Capacity Building Reserve increased by £2.0m, which included a contribution from the final outturn position of £4.0m, offset by funded transformational expenditure such as the work

streams contained in the ICT Strategy, Adults Positive Challenge programme and Housing Needs Team. The reserve will be used to ensure that the delivery of strategic, operational and financial requirements can be met for future budget purposes.

Departmental reserves balances have increased from £5.0m to £5.4m through an increase in the Peterborough City College reserve and a combination of specific grants which have been received for projects covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m.
- Integration Area Programme (Integrated communities) £1.1m.
- Controlled Migration Fund £0.4m.
- Peterborough City College £1.8m.

### **Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis**

The Statement of Accounts presents the Council's financial performance in two different formats:

- The Comprehensive Income and Expenditure Statement (CIES), shows revenue expenditure; income; and net expenditure for 2020/21 under proper accounting practices (see page 21).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2020/21 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 14, page 41).

Both of these formats include comparative figures for 2019/20. The statements use the Council's management structure for reporting net expenditure.

The Outturn Report does not directly correlate with the EFA due to the way movements in earmarked reserves and schools' balances are required to be reported.

## 8. Capital and Treasury Position

The following table shows capital budgets as agreed for the 2020/21 MTFS of £146.4m including the Invest to Save Budgets of £50.8m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £158.6m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2021 was £83.0m. This compares to the final expenditure and how this investment is to be financed of £56.8m.

Capital Expenditure	2020/21 MTFS Budget £000	Revised Budget Apr 2020 £000	Revised Budget Jan 2021 £000	Actual £000
Customer & Digital Services	4,920	5,169	4,481	1,593
People & Communities	23,214	26,424	18,809	15,439
Place & Economy	29,275	40,401	33,008	27,917
Resources	36,927	39,778	12,010	8,025
Capitalisation Direction	1,217	1,217	1,217	763
<b>Total</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
<b>Financed by:</b>				
Grants & Contributions	26,778	32,707	30,716	29,455
Capital Receipts	-	-	-	-
Borrowing	68,775	80,282	38,809	24,282
<b>Total</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
Invest to Save (100% funded from borrowing)	50,800	45,602	13,470	3,026

The revenue cost of financing the Council's borrowing totalled £16.2m in the year ending 31 March 2021, compared to £16.4m in the year ending 31 March 2020 (see Note 28, page 62).

Major projects which progressed during 2020/21 and included in the expenditure figures in the previous table are:

- Schools (including the new Manor Drive and Hampton Lakes schools and the expansion of Marshfields school) - £15.0m
- Highways - £20.8m
- The Vine: New Library and Cultural Hub- £4.0m
- Fletton Quays Hotel Loan- £3.0m
- Purchase of 88 Lincoln Road to convert into residential flats as 'next steps accommodation' to house former rough sleepers - £2.0m

Capital expenditure has been financed by grants, third party contributions, and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25, pages 35 and 57.

The Council has invested in housing, education and regeneration within the City. The Council has over the past three years enabled the City to exceed its local plan target with an additional 203 new homes (17.7% above target). Other examples of regeneration across the city include:

- In September 2020 the Council and Hawksworth Securities PLC entered an agreement to begin acquiring land at North Westgate, bringing momentum to £150m redevelopment plans for the city. The scheme will provide new homes, office premises, a hotel, and supporting retail, restaurant, café and leisure uses, set within extensive new public spaces and landscaping.

- The Council has been successful in a bid for £22.9m of the New Towns fund investment. Plans include making the city more sustainable, by encouraging low carbon living through cutting emissions, being kinder to the environment and will help residents to maintain healthy and active lifestyles with the development of a new Activity Centre and improvements to pedestrian areas and walkways to encourage outdoor activity. As part of these plans the Council has purchased the former TK Maxx and New Look buildings for £4.0m to create a community hub in Bridge Street. The new hub, 'The Vine', will accommodate many services such as a new library, a learning resource centre, gallery, a community café, meetings rooms and support for the voluntary sector.
- Construction of the city's new university has begun. The project is being led by the Cambridgeshire & Peterborough Combined Authority, in collaboration with Peterborough City Council and Anglia Ruskin University (ARU) as the academic partner. £31.0m has been invested into the employment-focused university, which is on track to open in 2022 and will boost the skills, training and employment prospects of people in Peterborough and the surrounding region and increase the number of skilled workers available to local businesses. ARU Peterborough is set to open in September 2022 with 2,000 students, with numbers projected to rise to 5,000 by 2025 and 12,500 by 2030.
- The Council was successful in securing £1.3m of Next Steps Accommodation Programme funding, which will be used to fund interim and long term housing provision. The Council has already taken action with the purchase of 88 Lincoln Road, which will be used to provide 22 units. In addition the Council is in the process of establishing a Housing Revenue Account

(HRA) which will enable it to provide more permanent housing and mitigate instances of homeless families and rough sleepers within Peterborough.

### **Borrowing and Investments**

The Council's TMS outlines the Council's approach to borrowing and investment. The main sources of borrowing are:

- the Public Works Loan Board (PLWB)
- other local authorities.

The following table shows that at 31 March 2021 the Council had net borrowings including cash and outstanding interest of £451.4m (£467.9m in 2019/20).

2019/20		2020/21
£m		£m
103.0	Short Term Borrowing	99.5
374.6	Long Term Borrowing	370.0
(9.7)	Investments	(18.1)
<b>467.9</b>	<b>Net Borrowing</b>	<b>451.4</b>

The Council's cash flow position is monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £24.3m, actual gross borrowing decreased by £8.1m (net £16.5m decrease) during the year due to use of internal balances, to reduce the cost of borrowing in the short term.

This approach is consistent with the Council's Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet ie reserve cash balances, creditor payment timings, Covid-19 related grant income and Collection Fund tax collection.

## 9. Changes to Service Delivery and Operations

The Council continues to build closer working partnerships with Cambridgeshire County Council (CCC) and other neighbouring councils. The Council shares the majority of CMT roles with CCC and the sharing of resources has expanded throughout organisations with 200 shared roles, with the most recent senior role to become shared being the Head of Information Governance and Data Protection. This joint approach is increasing resilience in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the Cambridgeshire area.

In September 2020 the managed IT contract with Serco came to an end. The Council decided to bring the ICT service in-house, with all staff being TUPED over to the Council. There are a number of shared senior management roles with Cambridgeshire, with a view to working towards a full shared ICT service. The vision for future ICT and Digital services, as articulated in the ICT Strategy, is for staff to have access to ICT that supports joint working and enables secure, easy and robust sharing and collaboration through digital tools. This will be delivered on a cost-effective basis, with the minimum level of duplicate costs for equipment and system licences.

In April 2021 Dr Liz Robin, the Director of Public Health for Cambridgeshire and Peterborough announced her retirement. Her replacement Jyoti Atri, became the new Director of Public Health, on 1 July.

In June 2020 the Council commenced the re-organisation of its Leisure and Cultural services. The Council's provider, Vivacity, served notice of termination as a force majeure arising from the impact of Covid-19 affecting its ability to continue to deliver the contracted services. In August 2020 the Council approved a decision to transfer the services to Aragon Direct Services, and

City College Peterborough, with the successful transfer completing on 30 September 2020.

The response to Covid-19 has been the Council's key priority throughout 2020/21, and has involved officers responding at pace to new operations and services, whether that be promptly administering grant payments to businesses, setting up a co-ordination hub to support the community, or working closely with the NHS to contain the spread of the virus. Over this period the Council's workforce has demonstrated how adaptable it is to new roles, for those that were redeployed, and different working practices for most who have worked become fully agile, working from home all year.

## 10. Risks, Challenges and Mitigating Action

The Risk Management Board, led by the Director Corporate Resources meets regularly throughout the year to both challenge and support risk management across the Council and with partner organisations.

The current and substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Risks which have been identified include:

- **Demand Led Services** - the Council provides services where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. These services have faced a sharp rise in demand throughout 2020/21, with further latent demand and longer term impacts expected. These services remain under regular review and are a vital component of the Council Covid-19 recovery plan.

- **Financial Resilience** – there is the risk that Council has insufficient reserve balances to withstand further budget pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency situation. The CMT and the RIT are progressing a work programme of financial actions and reviews to support the development of a financially sustainable position, while discussions with the government regarding financial support continue.
- **Savings Delivery** – one of the key aspects of achieving a balanced and sustainable budget is the delivery of savings plans. Covid-19 has impaired plans, with amendments being factored into the MTFS. Despite this the Council is committed to the delivery of current and future plans. These are monitored by the RIT and reported to CMT and Cabinet accordingly.
- **Business Rates, Council Tax and other fees and charges** - the Council relies on income generated from council tax, business rates and other income streams such as parking, planning. There is a risk that collection rates could decline, or growth assumptions built in to the budget are too ambitious. Provisions are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis. Further risk has been placed on the Council's income streams as a result of the economy, resulting from the lockdown restrictions due to Covid-19. The Council has reviewed its bad debt provisions and increased them accordingly to mitigate the future financial risk of non-collection.
- **Local Government future funding models** – uncertainty remains regarding the future funding model for all Councils.

This uncertainty creates a challenge when assessing available resources the Council has to be able to deliver services, and inform the plans for the medium term financial strategy. The Council will continue to monitor developments from central government and input into consultations.

- **The capital programme** is partially reliant on developer contributions as well as successful bids for external funding. These funding streams are not guaranteed and could be impacted by a downturn in development or the economy. It also takes a proactive approach in bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG). The Council monitors the forecasts for sale completions and valuations to ensure the correct value has been accounted for within the MTFS.

As a result of the Covid-19 pandemic the impact of the risks identified have increased with the Council being part of the key sector responding to the crisis. Although the Council has received additional funding the financial implications are expected to exceed this in the longer term. The Council incorporated an additional £8.1m of Adults and Children's Social Care costs within the 2020/21 MTFS, however within the May 2021 BCR, the resulting pressure is already in exceeding this, causing further strain on the Council's budget.

## 11. Strategy for Future Sustainability

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. Despite this financial context the Council has continued to provide vital services, whilst at the same time managing demand and keeping expenditure low. It is because of this that



the impact from the Covid-19 pandemic has had such a pervasive impact on the Council's finances.

Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial examination and in 2019 it implemented an enhanced series of expenditure controls.

The Council undertook an intensive period of investigative and service review work in the early 2020, to close the opening 2021/22 £14.2m budget gap. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. However, as a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.

The Council reported an additional £30.2m of expenditure and loss of income in 2020/21 in response to the Covid-19 pandemic. Whilst additional government funding has been received for these new pressures, it is expected that there will be long term impacts for which future longer-term funding is still unknown. Estimate for the longer-term impact of Covid-19 have been factored in to the 2021/22 budget with pressures such as the rising costs of Adult Social Care, Local Tax losses and the non-delivery of existing MTFS saving plans.

The Council's MTFS for 2021/22 was balanced by the identification of £34.5m of budget reductions, such as the review of the Council Tax and NNDR income base assumptions and review of the cost of borrowing. However the approved balanced budget was reliant on the use of shorter term options including:

- £8.9m one off funding to support C-19 related activity.
- £2.4m of capital receipts to repay debt.

- £13.7m of conditional EFS in the form of capitalisation direction confirmed in February from MHCLG.

These have provided the Council with short-term security to meet the pressures from Covid-19 and the rising costs of Adult Social Care in 2021/22 only.

The EFS is in the form of an agreement in principle to a capitalisation direction, which is conditional on a series of scrutiny actions from MHCLG for 2021/22. As the offer is conditional a material uncertainty remains over the availability of funding for 2021/22, with the Council also needing to identify budget reductions totalling at least £28.9m by 2023/24 to set a balanced budget.

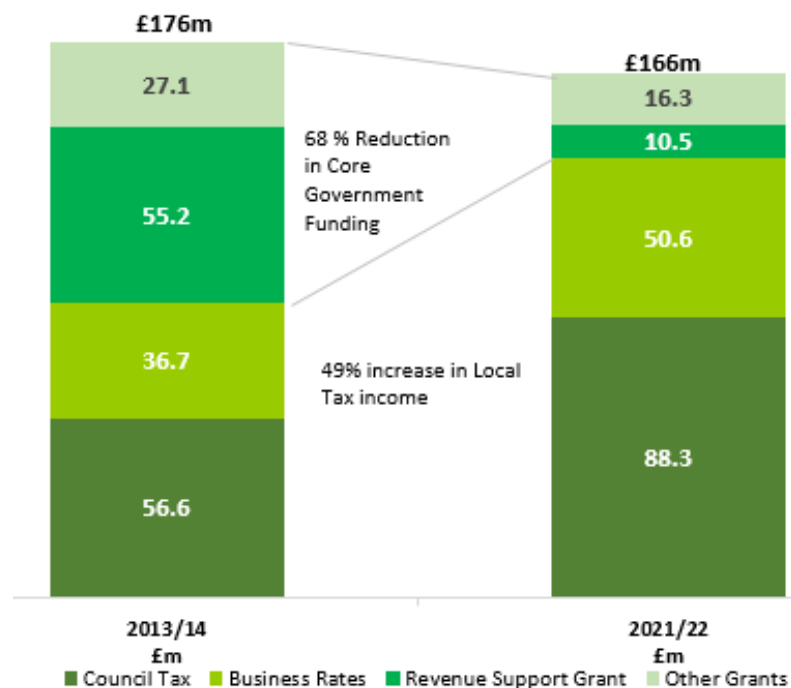
A summary of the budget changes agreed at Council on 3 March 2021 and the financial challenge which remains is outlined in the following table:

<b>Summary Budget Position</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Budget Gap</b>	<b>14,245</b>	<b>14,808</b>	<b>14,609</b>
Budget Pressure & Service Demand	13,595	16,042	18,562
Non- Delivery of Savings Plans	5,731	5,731	5,731
Collection Fund Losses: Council Tax & NNDR	938	1,247	1,247
<b>Total</b>	<b>20,264</b>	<b>23,020</b>	<b>25,540</b>
<b>Budget Position before savings &amp; additional income</b>	<b>34,509</b>	<b>37,828</b>	<b>40,149</b>
Funding Changes	(13,676)	(5,050)	(6,433)
Savings and Income	(7,099)	(5,985)	(4,806)
Exceptional Financial Support	(13,734)	-	-
<b>Total</b>	<b>(34,509)</b>	<b>(11,035)</b>	<b>(11,239)</b>
<b>Final Budget Gap</b>	<b>-</b>	<b>26,793</b>	<b>28,910</b>

A copy of the Council's MTFs for 2021/22 to 2023/24 is located on the Council's website<sup>3</sup>.

The following diagram illustrates the components of the Council's income resources for 2021/22, and how these compare against the Council's income levels from 2013/14.

The Council approved an increase to council tax by 4.99% in 2021/22, this includes a general increase of 1.99% and an Adult Social Care precept of 3.0%. This was one of the measures announced as part of the Spending Review 2020 and confirmed



within the referendum limits included in the Local Government provisional finance settlement in December 2020. The Council has a greater reliance on Council Tax funding compared to 9 years ago. In 2013/14 £55.5m of Council Tax income was generated, this has increased by 48.2% to £88.3m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

Revenue Support Grant (RSG), was increased by 0.5%, to £10.5m in 2021/22. Despite this increase, the Council's RSG has seen a reduction of 81% since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core funding.

Business rates income base has grown significantly over recent years, and has continued to grow even over the Covid-19 pandemic. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The Council has benefited from £1.6m of additional income in 2020/21 as a result of a successful Business Rates pool application with the other Cambridgeshire Local Authorities. The pool considers the business rates levy owed by each of the authorities, pooling them together, which produces a lower percentage levy calculation for the councils included in the pool. The pooling arrangements have continued in 2021/22, with a £2.0m benefit currently expected for the Council.

Other grants received include social care grants and Improved Better Care Fund, which have been increasing but not at the same rate as the increase in service demand, and New Homes Bonus (NHB), an incentive-based grant to reward local authorities for the development of new housing. The level of NHB to be received by the Council remains uncertain beyond 2022/23. A consultation

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<sup>3</sup> <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/>

relating to the future of the scheme was held in Spring 2021, from which an outcome is expected later this year.

## 12. The Impact of Covid-19

The 23 March 2021 marks a year since the Prime Minister announced the first national UK lockdown in order to halt the growth of the Covid-19, to protect the NHS and ultimately save lives. Since this time the Council has navigated through unprecedented times, facing uncertainty and overcoming new and difficult challenges, both operationally and financially.

### Operations

The Councils response to the pandemic and the recovery of services has included the following:

- Worked collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible were supported within the community to avoid hospital admissions
- Working closely with providers and mitigating the potential impact and risks to the delivery of key services, particularly the sustainability of Adult Social Care services
- Ensuring children are supported by working with schools to support vulnerable children and those children of key workers, and ensuring those disadvantaged children have access to online resources and school's lessons from home, by purchasing additional ICT equipment
- The establishment of a Coordination Hub, in partnership with Cambridgeshire County Council to provide residents, that were vulnerable or shielding, access to food, medicine and other essential support as illustrated in the following diagram:



- The provision of accommodation for rough sleepers to ensure they could safely self-isolate
- Ensuring front line services and care workers had Personal Protective Equipment (PPE) to enable safe working and to minimise transmission and spread of the virus
- Carrying out proactive and intervention activities to minimise the spread of the virus and ensure Containment of the Outbreak. This included targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions.

The Council is continuing to provide additional services required in response Covid-19 pandemic and wider recovery, as the communities needs continue and the governments recovery road map progresses. The government have provided further grant funding in 2021/22 to support the continuation of these activities such as the Containment Outbreak Fund and Infection Control.

### **Financial Position**

The Council reviews and reports on the financial impact of Covid-19 internally on a regular basis and reports on the position within the Councils Budgetary Control Report to Cabinet on a monthly basis. The Council, along with all other local authorities, submits a monthly Covid-19 financial impact return to MHCLG, with a total of 14 submissions being made since the start of the pandemic.

Without the additional government grants, the pressures arising as a result of Covid-19 would have will have fully utilised the Councils available reserves balances. Although the final outturn position in 2020/21 was a £4.0m underspend, the pandemic has resulted in longer-term implications for the future year's budgets, some of which are unquantified due to the significant levels of uncertainty. Examples of the impact Covid-19 has had on the Council's financial situation, include:

- A Council Tax deficit of £0.7m as a result of people being unable to pay at this time, and an increase in households receiving council tax support.
- A Business Rates deficit of £11.5m as a result of businesses being unable to pay the rates at this time because of the impact on the business operations. The Council is actively recovering these outstanding balances, and is closely monitoring the position.

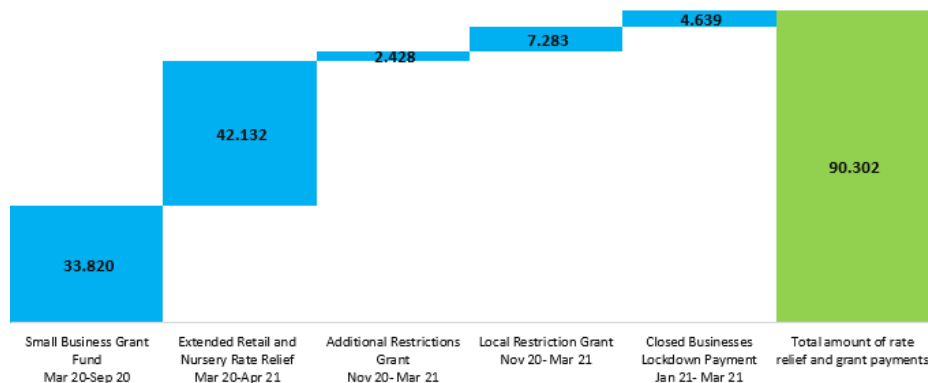
- An additional £11.7m of costs as a result of providing Adult Social Care services differently during the pandemic.
- An additional £1.9m of Children's Social Care costs, with a rising trend emerging in services designed to protect children.
- An additional cost of £2.0m to provide accommodation for all rough sleepers, in order to isolate safely as directed within government national policy.
- An inability to deliver £5.7m of existing MTFS savings plans that the Council expected to achieve this financial year, because of the need to respond to the demands of the C-19 pandemic. This creates additional budget pressures in the current and future financial years.
- A loss of income totalling £5.8m (including £2.2m of parking income resulting from reduced footfall). MHCLG have provided a scheme to compensate Councils in part for the loss of Sales Fees and Charges Income, this is included within the final position.

The Council has administered over £90.0m of Business support grants and reliefs during 2020/21 including:

- £42.1m of Extended Rate relief and Nursery Discount to 1,300 businesses and 34 nurseries.
- £4.6m Closed Business Lockdown Payment announced by the chancellor following lockdown 3.0 in January 2021.
- £33.8m Business Grant Fund (SBGF) awarded under different schemes to 2,764 local businesses.

- £9.7m Local Restrictions and Additional Restrictions Grants, including administering mandatory and discretionary schemes.

Breakdown of rate relief and business grants Administered in 2020/21(£m)



As noted the Council has received funding for distribution or use to support the Covid-19 response and recovery. The terms and conditions of such grants has required judgement as to whether the Council was acting as agent or principal. Most grants have been considered principal as they the use of the grant was for Council services or general funding and these have been reported within the CIES. In 2020/21 the Council has received £58.4m of grant funding where the Council acted as an agent for the government and administered grant funding to businesses, individuals or care providers and these are excluded from the CIES.

### 13. Conclusion

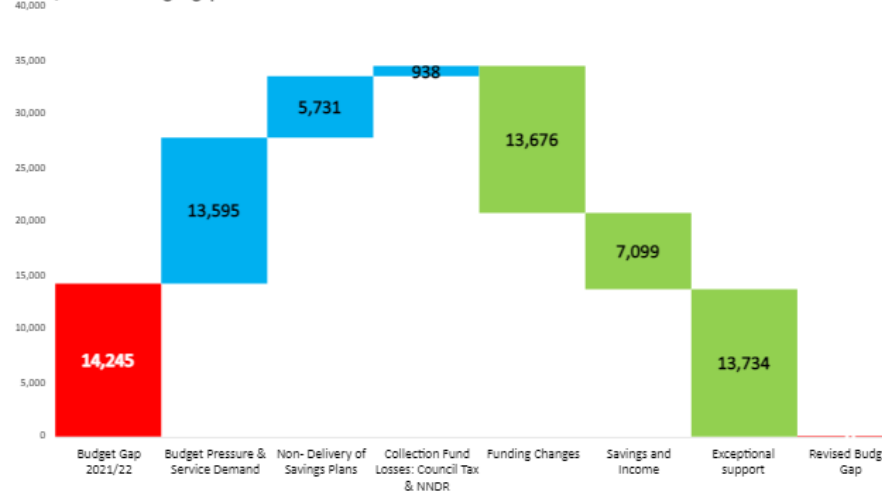
The Council remains in a challenging financial position, which has been exacerbated by the Covid-19 pandemic. The MTFS highlights future budget gaps of £26.8m in 2022/23 rising to £28.9m in 2023/24. The Council will continue to be proactive in making decisions on how it can best deliver services within its financial envelope, however the unpredictability as a result of the Covid-19 has made financial and operational planning and forecasting problematic.

The financial challenge means the Council will be reliant on additional funding from central government to continue with the current level of service provision and become financial sustainable in the future. In Summer the Council will work with MHCLG as they undergo an assurance review in relation to EFS, which at present is conditional. The Council and MHCLG will look to develop a delivery model that secures financial sustainability.

The Council continues to provide vital services to the residents of Peterborough, against the challenges of reduced funding and growing service demand, including those additional services to support the communities' additional needs as a result of the Covid-19 pandemic

The Council approved the revenue and capital budget requirement for 2021/22 as part of its MTFS, with the following chart summarising the changes within the budget.

2021/22 MTFS budget gap



The Council will continue to provide the required response and support to the Covid-19 pandemic and support the residents and businesses of Peterborough through these unprecedented times. The challenge will remain once operations start returning to normal in future months, however the Council is working closely with neighbouring local authorities to support the recovery of the local economy, resume services and support businesses and the community rebuild after the devastating impact of the pandemic.

I am extremely grateful to all the finance and operational staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced during 2020/21 and still continue to face. The willingness to go above and beyond has never been more apparent than during the 2020/21 year, staff have adapted quickly and professionally to a new approach to role, redeployed to ensure the continuation of

services or provide community response to the pandemic. I would also like to extend my gratitude to the individual volunteers and organisations that have worked closely with the Council to support the residents and businesses of Peterborough through these unprecedented times.

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



Peter Carpenter,  
Director of Corporate Resources

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

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To be added following conclusion of audit – November 2021

# Statement of Responsibilities

## The Council's Responsibilities

The Council is required to:

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

## Chairman's Certificate

I certify the Statement of Accounts for the year ended 31 March 2021.

Signed on behalf of Peterborough City Council:

Chairperson of meeting  
approving the accounts:

*To be signed following audit  
opinion*

\_\_\_\_\_  
Cllr David Over

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).

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

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 21 to 111 present a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Director of Corporate  
Resources:

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

\_\_\_\_\_  
Peter Carpenter

\_\_\_\_\_  
July 2021



## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this

may be different from the accounting cost. The taxation position is shown in both the Income and the Expenditure and Funding Analysis Note 14 and the Movement in Reserves Statement Note 16.

2019/20			2020/21				
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 25)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,168	(15)	1,153	Business Improvement		741	-	741
2,590	(824)	1,766	Chief Executives		1,876	(561)	1,315
8,711	(959)	7,752	Customer & Digital Services		8,597	(1,809)	6,788
6,846	(2,118)	4,728	Governance	4	4,960	(792)	4,168
286,485	(184,205)	102,280	People & Communities	1, 2, 6	277,103	(183,967)	93,136
55,298	(16,973)	38,325	Place & Economy		61,136	(20,115)	41,021
11,289	(11,000)	289	Public Health	6	12,257	(12,717)	(460)
84,864	(58,653)	26,211	Resources	3	76,694	(62,384)	14,310
<b>457,251</b>	<b>(274,747)</b>	<b>182,504</b>	<b>Cost of Services</b>		<b>443,364</b>	<b>(282,345)</b>	<b>161,019</b>
8,750	(1,991)	6,759	Other Operating Income & Expenditure	9	14,671	(7,449)	7,222
38,819	(6,186)	32,633	Financing & Investment Income & Expenditure	10	34,113	(6,801)	27,312
2,828	(178,801)	(175,973)	Taxation & Non-Specific Grant Income & Expenditure	11	2,726	(193,083)	(190,357)
<b>507,648</b>	<b>(461,725)</b>	<b>45,923</b>	<b>(Surplus) / Deficit on Provision of Services</b>	14	<b>494,874</b>	<b>(489,678)</b>	<b>5,196</b>
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets	15,17			(4,270)
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			95,408
		<b>(147,043)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>91,138</b>
		<b>(101,120)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>96,334</b>

## Movement in Reserves Statement (MiRS)

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

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the

statutory adjustments required to return to the amounts chargeable to council tax for the year.

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 15, page 44.

Movement in Reserves during 2019/20 and 2020/21	Note	General Fund Balance	Schools' Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	15	(6,000)	(3,374)	(31,217)	(7,663)	(1,110)	(49,364)	302,266	252,902
Total Comprehensive Income & Expenditure		45,708	215	-	-	-	45,923	(147,043)	(101,120)
Adjustments between accounting basis & funding basis under regulations		(41,067)	-	-	7,633	152	(33,252)	(33,252)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		4,641	215	-	7,663	152	12,671	(113,791)	(101,120)
Transfers to / (from) Earmarked Reserves		(3,753)	-	3,753	-	-	-	-	-
(Increase) / Decrease in 2019/20		888	215	3,753	7,663	152	12,671	(113,791)	(101,120)
Restated Balance at 31 March 2020 Carried Forward		(5,112)	(3,159)	(27,464)	-	(958)	(36,693)	188,475	151,782
<b>Balance at 1 April 2020</b>		<b>(5,112)</b>	<b>(3,159)</b>	<b>(27,464)</b>	<b>-</b>	<b>(958)</b>	<b>(36,693)</b>	<b>188,475</b>	<b>151,782</b>
Total Comprehensive Income & Expenditure		6,758	(1,562)	-	-	-	5,196	91,138	96,334
Adjustments between accounting basis & funding basis under regulations		(40,293)	-	-	-	(2,527)	(42,820)	42,820	-
Net Increase before Transfers to Earmarked Reserves		(33,535)	(1,562)	-	-	(2,527)	(37,624)	133,958	96,334
Transfers to / (from) Earmarked Reserves		32,647	-	(32,647)	-	-	-	-	-
<b>(Increase) / Decrease in 2020/21</b>		<b>( 888)</b>	<b>(1,562)</b>	<b>(32,647)</b>	<b>-</b>	<b>(2,527)</b>	<b>(37,624)</b>	<b>133,958</b>	<b>96,334</b>
<b>Balance at 31 March 2021 Carried Forward</b>		<b>(6,000)</b>	<b>(4,721)</b>	<b>(60,111)</b>	<b>-</b>	<b>(3,485)</b>	<b>(74,317)</b>	<b>322,433</b>	<b>248,116</b>

## Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

- The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 22, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020	Balance Sheet	Notes	31 March 2021
£000			£000
567,068	Property, Plant & Equipment	17	567,388
23,551	Investment Property	18	25,620
8,405	Intangible Assets	19	5,971
-	Long term Investment	28	1,870
22,909	Long term Debtors	28, 29	24,651
<b>621,933</b>	<b>Long Term Assets</b>		<b>625,500</b>
3	Short Term Investments	28, 30	-
461	Inventories	31	466
60,039	Short Term Debtors	33	88,531
10,437	Cash & Cash Equivalents	39	18,184
2,015	Assets Held for Sale	20	-
<b>72,955</b>	<b>Current Assets</b>		<b>107,181</b>
(106,457)	Short Term Borrowing	28	(98,423)
(69,163)	Short Term Creditors	32	(110,968)
(10,174)	Provisions	34	(9,445)
<b>(185,794)</b>	<b>Current Liabilities</b>		<b>(218,836)</b>
(221,488)	Long Term Creditors (Pension Liability)	7	(321,679)
(356)	Provisions	34	(456)
(374,587)	Long Term Borrowing	28	(374,587)
(44,807)	Other Long Term Liabilities	28,29	(43,619)
(19,638)	Capital Grants Receipts in Advance	35	(21,620)
<b>(660,876)</b>	<b>Long Term Liabilities</b>		<b>(761,961)</b>
<b>(151,782)</b>	<b>Net (Liabilities) / Assets</b>		<b>(248,116)</b>
(36,693)	Usable Reserves	15	(74,317)
188,475	Unusable Reserves	15	322,433
<b>151,782</b>	<b>Total Reserves</b>		<b>248,116</b>

Peter Carpenter – Director of Corporate Resources

July 2021

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are

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

2019/20 £000	<b>Cash Flow Statement</b>	Notes	2019/20 £000
45,923	Net (Surplus) / Deficit on the Provision of Services		5,196
(76,959)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(70,674)
(4,276)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		3,885
(35,312)	<b>Net Cash Flows from Operating Activities</b>		<b>(61,593)</b>
60,536	Investing Activities	37	38,722
(20,393)	Financing Activities	38	15,124
4,831	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(7,747)</b>
15,268	Cash & Cash Equivalents at the Beginning of the Reporting Period		10,437
(4,831)	Increase / (Decrease) in Cash and Cash Equivalents		7,747
10,437	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	39	<b>18,184</b>

# Notes to the Accounts

## 1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2020/21 and for the previous financial year are as follows:

Schools Budget Funded by Dedicated Schools Grant 2020/21	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2020/21 before Academy and high needs recoupment			(223,518)
Academy and high needs figure recouped for 2020/21			134,042
Total DSG after Academy and high needs recoupment for 2020/21			(89,476)
Brought forward from 2019/20			(3,398)
Carry forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	(41,194)	(51,680)	(92,874)
In year adjustments	277	-	277
Final budgeted distribution for 2020/21	(40,917)	(51,680)	(92,597)
Less actual central expenditure	37,654	-	37,654
Less actual ISB deployed to schools	-	51,680	51,680
<b>Carry Forward to 2021/22</b>	<b>(3,263)</b>	<b>-</b>	<b>(3,263)</b>
<b>Total amount carried forward</b>			<b>(3,263)</b>

The Council's expenditure on running schools is funded primarily by DSG provided by the Education and Skills Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools

Budget (ISB), which is divided into a budget share for each maintained school.

Schools Budget Funded by Dedicated Schools Grant 2019/20	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2019/20 before Academy and high needs recoupment			(210,940)
Academy and high needs figure recouped for 2019/20			120,076
Total DSG after Academy and high needs recoupment for 2019/20			(90,864)
Brought forward from 2018/19			(2,973)
Carry forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2019/20	(40,923)	(52,914)	(93,837)
In year adjustments	234	-	234
Final budgeted distribution for 2019/20	(40,689)	(52,914)	(93,603)
Less actual central expenditure	37,290	-	37,290
Less actual ISB deployed to schools	-	52,914	52,914
<b>Carry Forward to 2020/21</b>	<b>(3,399)</b>	<b>-</b>	<b>(3,399)</b>
<b>Total amount carried forward</b>			<b>(3,399)</b>

## 2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

### Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2020/21 was £14.9m (2019/20 £14.2m) of which £7.6m is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element is made up of £2.0m directly received capital funding and £5.4m retained by CPCCG.

### Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2020/21 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the People & Communities line in the CIES of £0.9m (2019/20 £0.9m).

### Integrated Community Equipment Services (ICES)

The annual agreement for 2020/21 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.4m (2019/20 £0.4m) to this pooled partnership is shown in the People & Communities line in the CIES.

### Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental

health services. The Council's contribution to this pooled partnership of £1.5m (2019/20 £1.5m) is shown in the People & Communities line in the CIES.

### 3 External Audit Costs

The Council has incurred the following cost on the audit of the Statement of Accounts provided by the Council's external auditors, Ernst and Young LLP (EY).

2019/20*	External Audit Costs	2020/21
£000		£000
213	Fees payable with regard to external audit services carried out by the appointed auditor	174
-	Other services provided by the appointed auditor	-
213	<b>Total</b>	<b>174</b>

\* 2019/20 figures have been restated to reflect the final payment previously stated at £161k

The increase in fees for 2019/20 is contained in the EY 'Audit Results Report' which was considered at Audit Committee on 16 November 2020. On page 41 of this report it details that the increase in fee is based on the following factors:

- the lowering of the audit materiality from the prior year and the resulting impact on audit testing across the primary financial statements and supporting notes
- the need to scope and audit the group accounts for the first time
- the need to audit significant and heightened risk as presented in the report
- the need to engage in EY Real Estate to review the valuation of Depreciated Replacement Cost assets

- the need to engage EYs advisory experts to support its assessment of the Council's future plans to address concerns on its future financial resilience

The 2019/20 restatement reflects the additional audit fees of £25k incurred in relation to:

- the need to engage in EY Real Estate to review the RICs guidance to valuers which considered the uncertain impact to asset valuations following Covid-19
- the audit adjustments identified in the EY report
- the impact of the McCloud consultation on the pension liability
- the impact of Covid-19 on EY's audit procedures and the Council's going concern assessment

#### 4 Member's Allowances

The level of member allowances is recommended by an independent panel. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis. The table shows amounts paid to members which is less this year due the reduced number of members.

2019/20 £000	Member's Allowances	2020/21 £000
869	Allowances	856
-	Expenses	-
<b>869</b>	<b>Total</b>	<b>856</b>

#### 5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £0.2m (2019/20 £2.6m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

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

Restated 2019/20* £000	Termination Benefits	2020/21 £000
141	Business Improvement and Development	-
376	Chief Executive	-
198	Customer & Digital Services	-
76	Governance	-
665	People & Communities	148
143	People & Communities (Schools)	67
518	Place & Economy	6
37	Public Health	-
253	Resources	-
<b>2,407</b>	<b>Total</b>	<b>221</b>

\* restated to reflect one employee being redeployed to a new role and the extension of two employees leave dates (increasing the exit package), to provide additional capacity for the Council's C-19 response.

The number of packages agreed and the value of those packages are analysed in the following tables, in bands of £20k up to £100k and £50k thereafter (some bands are combined to avoid disclosing individual payments).

55

Termination and Exit Packages							
Compulsory No.	Voluntary No	Total No.	Bands	Compulsory £000	Voluntary £000	Total £000	Pension Strain inc. in total*
-	22	22	£0 - £19,999	-	141	141	2
-	3	3	£20,000 - £39,999	-	80	80	-
-	-	-	£40,000 - £59,999	-	-	-	-
-	-	-	£60,000 - £79,999	-	-	-	-
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £150,000 +	-	-	-	-
-	<b>25</b>	<b>25</b>	<b>Total</b>	-	<b>221</b>	<b>221</b>	<b>2</b>
<b>Termination and Exit Packages 2019/20</b>							
1	33	34	£0 - £19,999	3	239	242	-
-	43	43	£20,000 - £99,999	-	1,883	1,883	478
-	2	2	£100,000 - £150,000 +	-	282	282	198
1	<b>78</b>	<b>79</b>	<b>Total</b>	<b>3</b>	<b>2,404</b>	<b>2,407</b>	<b>676</b>

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

## 6 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by

making contributions based on a percentage of members' pensionable salaries through the DSG allocation (Note 1).

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

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

In 2020/21 the Council paid £8.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7%. The figures for 2019/20 were £5.0m and 16.5% of pensionable pay from April to August 2019 and 23.7% from September 2019.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in Note 7. The Council is not liable to the Scheme for any other entities' obligations under the plan.

### NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care and the employees of the Public Health Service. Details of the benefits payable under these provisions can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pensions>.



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

In 2020/21 the Council paid £108k to NHS Pensions in respect of employee's retirement benefits, representing 22.4% of pensionable pay. The figures for 2019/20 were £89k and 14.4%.

## **7 Defined Benefit Pension Schemes**

### **Participation in pension schemes**

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Employee contribution rates are tiered according to an employee's pay band. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no fund assets built up to meet these pension liabilities.

### **Transactions Relating to Post-Employment Benefits**

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

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

2019/20 £000	<b>Comprehensive Income &amp; Expenditure Statement</b>	2020/21 £000
	Cost of Services:	
-	2019/20 Pension Adjustments	132
-	2019/20 Interest Income Adjustment	6
25,170	Current service cost	18,304
112	Past service cost	104
(2,930)	Effect of settlements	(5,488)
	Financing & Investment Income & Expenditure	
(11,678)	Interest Income on Scheme Assets	(10,609)
19,750	Interest Cost on Defined Benefit Obligation	15,731
<b>30,424</b>	<b>Total post-employment benefit charged to the Deficit on the Provision of Services</b>	<b>18,180</b>
	Other employment benefit charged to the CIES	
-	2019/20 Pension Adjustments	2,551
35,450	Return on plan assets (excluding the amount included in the net interest expense)	(97,658)
(16,886)	Actuarial gains and losses arising on changes in demographic assumptions	10,973
(64,313)	Actuarial gains and losses arising on changes in financial assumptions	187,216
(81,170)	Other Experience	(7,288)
(69)	Adjustment to actuarial estimate contribution	386
(126,988)	Total Remeasurements Recognised in CIES	95,408
<b>(96,564)</b>	<b>Total post-employment benefit charged to the CIES</b>	<b>113,588</b>
	<b>Movement in Reserves Statement</b>	
96,564	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(113,588)
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,983	Employer's contributions payable to scheme	13,397
<b>110,547</b>	<b>Total Movement in Reserves Statement</b>	<b>(100,191)</b>

31 March 2020 £000	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	31 March 2021 £000
460,698	Fair Value of Employer Assets	577,168
(662,350)	Present Value of Funded Liabilities	(877,921)
(19,836)	Present Value of Unfunded Liabilities	(20,926)
<b>(221,488)</b>	<b>Total net liability</b>	<b>(321,679)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £322m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 15, page 49. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2020 £000	<b>Reconciliation of the Fair Value of the Scheme Assets</b>	31 March 2021 £000
487,223	Opening fair value of Scheme Assets	460,698
-	2019/20 Adjustment to Fair Value of the Scheme Assets	(2,560)
11,678	Interest Income	10,609
(35,450)	Return on plan assets, excluding the amount included in the net interest expense	97,658
(1,840)	Effect of Settlements	(3,743)
13,983	Contributions from Employer	13,395
69	Adjustment for Actuarial estimated Employer Contributions	386
3,539	Contributions from Employees	3,460
-	Effect of Business Combinations and Disposals	15,393
(18,504)	Benefits Paid	(18,128)
<b>460,698</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>577,168</b>

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

31 March 2020 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2021 £000
819,258	Opening Liability at 1 April	682,186
-	2019/20 Adjustment to Present Value of the Scheme Liabilities	127
25,170	Current Service Cost	18,304
19,750	Interest Cost	15,731
3,539	Contributions from Scheme Participants	3,460
-	Effect of Business Combinations and Disposals	15,393
(64,313)	Actuarial gains/losses arising from changes in financial assumptions	187,216
-	Actuarial gains/losses arising from changes in demographic assumptions	10,973
(81,170)	Other experience	(7,288)
(4,770)	Liabilities Extinguished on Settlements	(9,231)
112	Past Service Costs including curtailments	104
(18,504)	Benefits Paid	(18,128)
<b>682,186</b>	<b>Closing Liability at 31 March</b>	<b>898,847</b>

In line with the Accounting Standard, the 'Actuarial gains/losses arising from changes in financial assumptions in the table above is identified separately in the Pensions Note as at the Accounting Date, the real discount rate (discount rate net of inflation) has fallen compared to the previous year's Accounting Date. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. In isolation, this will result in a significant loss on the Employer's balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a typical employer, this could be of the order of 25% of obligations.

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

31 March 2020 £000	Local Government Pension Scheme Assets comprised	31 March 2021 £000
20,537	Debt Securities – Government Bonds	25,765
31,427	Real Estate	35,507
32,849	Private Equity	43,479
-	Derivatives	(2,377)
	Investment Funds and Unit Trusts	
302,928	Equities	346,666
31,522	Bonds	66,973
35,511	Infrastructure	52,248
70	Other	-
<b>370,031</b>	<b>Sub-total Investment Funds and Unit Trusts</b>	<b>568,261</b>
<b>5,854</b>	<b>Cash and Cash Equivalents</b>	<b>8,907</b>
<b>460,698</b>	<b>Total Assets</b>	<b>577,168</b>

#### Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund. The assessment was based on the latest full valuation of the scheme as at the 31 March 2019.

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

31 March 2020	<b>Mortality Assumptions</b>	31 March 2021
	Longevity at 65 for Current Pensioners:	
22.0	Men (years)	22.2
24.0	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
22.7	Men (years)	23.2
25.5	Women (years)	26.2
	<b>Financial Assumptions</b>	
2.7%	Rate of inflation	2.7%
1.9%	Rate of increase in pensions	2.9%
2.4%	Rate of increase in salaries	3.4%
2.3%	Rate for discounting scheme liabilities	2.0%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
64.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	64.0%

The valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination and therefore the

changes have now been accounted for in 2020/21 Actuarial Report.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 44.

### **Impact on the Council's Cash Flows**

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2019, and their recommendations have been implemented from April 2020. The actuary has recommended a combination of a stable employer contribution percentage at 17.4% along with a cash lump sum into the fund of £1.9m for the current and following two years. The Council anticipates to pay £11.1m expected contributions to the scheme in 2021/22 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2022 the results of which will be implemented in 2023/24 financial year.

## 8 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more in bands of £5,000 is shown in the following table. The table includes the Senior Employees who are also disclosed in the following pages.

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds. The bands include those employees who have received remuneration and lump sum payments during the year, but not any associated pension strain. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

The Council shares a number of posts with Cambridgeshire County Council (CCC), see Note 12. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are disclosed by way of explanation text in this note.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2020/21 was approved on 4 March 2020.

2019/20 No. of Employees			Remuneration Band	2020/21 No. of Employees		
Non Schls	Schls	Total		Non Schls	Schls	Total
6	34	80	£50,000 - £54,999	45	42	87
23	13	36	£55,000 - £59,999	36	25	61
15	14	29	£60,000 - £64,999	6	8	14
10	9	19	£65,000 - £69,999	8	3	11
3	12	15	£70,000 - £74,999	6	4	10
10	2	12	£75,000 - £79,999	6	5	11
4	2	6	£80,000 - £84,999	2	3	5
3	3	6	£85,000 - £89,999	5	6	11
2	2	4	£90,000 - £94,999	3	3	6
-	1	1	£95,000 - £99,999	3	1	4
1	4	5	£100,000 - £104,999	-	-	-
2	-	2	£105,000 - £109,999	1	3	4
-	1	1	£110,000 - £114,999	1	-	1
1	-	1	£120,000 - £124,999	-	-	-
2	-	2	£125,000 - £129,999	1	-	1
-	1	1	£130,000 - £134,999	2	1	3
-	-	-	£140,000 - £144,999	1	1	2
1	-	1	£145,000 - £149,999	-	-	-
-	1	1	£150,000 - £154,999	-	-	-
-	-	-	£170,000 - £174,999	-	-	-
1	-	1	£175,000 - £179,999	1	-	1
-	-	-	£195,000 - £199,999	-	-	-
-	-	-	£220,000 - £224,999	-	-	-
<b>124</b>	<b>99</b>	<b>223</b>	<b>Total</b>	<b>128</b>	<b>105</b>	<b>233</b>

## Senior Employees Remuneration

The table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears. There were no Bonuses or Benefits in Kind payable during 2020/21.

Post Holder	Year	PCC Salary Cost <sup>1</sup>	Election duties <sup>2</sup>	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) <sup>3</sup>	Total Remuneration (inc. Pension contributions)	Actual Final Cost to PCC <sup>1</sup>
Chief Executive G Beasley <i>see Note A</i>	2020/21	£86,798	-	£173,596	£29,560	£203,156	£113,850
	2019/20	£85,798	£6,900	£178,497	£29,013	£207,509	£107,205
Corporate Director: People & Communities W Ogle-Welbourn <i>see Note A</i>	2020/21	£76,949	-	£153,898	-	£153,898	£87,975
	2019/20	£74,027	£1,710	£149,764	-	£149,764	£75,737
Corporate Director: Resources	2020/21	£129,893	-	£129,893	£22,601	£149,764	£149,764
	2019/20	£123,966	£1,960	£125,926	£21,570	£147,496	£147,496
Assistant Director of HR and Development <i>see Note B</i>	2020/21	£86,304	-	£86,304	£15,013	£101,316	£101,316
	2019/20	£82,649	£3,372	£86,021	£14,381	£100,402	£100,402

1. Salary is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details. The actual final cost to PCC is shown in the final column following recharges to Cambridgeshire County Council.

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

### Notes to the Senior Employees Remuneration table

**A** – The costs of the Chief Executive and Corporate Director: People & Communities are shared with Cambridgeshire County Council (CCC) under a S113 Agreement. As they are employed by the Council costs are shown in full in the table, and 50% of the cost is recharged to CCC.

A similar arrangement is in place for the Director of Public Health, Director of Governance, Executive Director of Place &

Economy, Director of Customer & Digital Services and Director of Business Improvement & Development but as these posts are employed by CCC they are shown in the table overleaf.

**B** - The Assistant Director of HR and Development is disclosed in the table from 1 July 2017 in accordance with the Accounts and Audit Regulations 2015 as they report directly to the Chief Executive from this date.

The following table shows 50% of the costs of the Directors who are employed and shared with CCC which are subsequently recharged.

Post Holder	Year	Total PCC Recharged Costs
Director of Public Health	2020/21	£33,000*
	2019/20	£63,459
Director of Governance	2020/21	£68,445
	2019/20	£66,763
Executive Director of Place & Economy	2020/21	£103,204
	2019/20	£79,617**
Director of Customer & Digital Services	2020/21	£78,669
	2019/20	£75,382
Director of Business Improvement & Development	2020/21	£88,052
	2019/20	£82,314

\*The DPH salary % split changed from 50% to 24% in 2020/21

\*\* 2019/20 Part year salary

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

2019/20	Other Operating Income & Expenditure	2020/21
£000		£000
672	Parish Council Precepts	698
648	Drainage & Flood Levies	680
3,631	Integrated Transport Authority Levy (Note 12)	3,850
2,976	Net (Gains) / Losses on Disposal of Non-Current Assets	2,544
(1,168)	Gains on Former Right To Buy Assets	(550)
<b>6,759</b>	<b>Total</b>	<b>7,222</b>

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

2019/20	Financing & Investment Income & Expenditure	2020/21
£000		£000
18,495	Interest Payable & Similar Charges (Note 28)	18,198
(1,498)	Interest Receivable & Similar Income (Note 28)	(1,553)
(478)	Other Investment Income	(2,161)
8,072	Pension Interest Cost & Expected Return on Pension Assets (Note 7)*	5,128
(1,236)	(Gains) / Losses on Trading Operations	(109)
237	(Gains) / Losses in Fair Value of Investment Properties (Note 18)	173
4,020	Impairment and Derecognition of Current Assets and Long Term Debtors	1,944
5,022	De-recognition of Subsidiary Assets	5,692
<b>32,634</b>	<b>Total</b>	<b>27,312</b>

\*Includes 2019/20 Pension Adjustment

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

## 11 Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income

2019/20 £000	Taxation & Non-Specific Grant Income	2020/21 £000
	<b>Taxation Income</b>	
(78,415)	Council Tax Income	(82,683)
-	Business Rates Pool	(1,586)
404	NDR Levy Payment	263
2,424	NDR Tariff Payment	2,463
(48,188)	NDR Income	(24,611)
<u>(75,587)</u>	<b>Total Taxation Income</b>	<b>(106,154)</b>
	<b>Non-Specific Government Grants</b>	
(10,246)	Revenue Support Grant	(10,413)
(4,713)	New Homes Bonus	(4,701)
(4,927)	Section 31 Grant (NNDR reliefs and other	(25,180)
-	Sales Fees and Charges Compensation (C-19)	(3,713)
-	Tax Income Guarantee Compensation (C-19)	(2,302)
(5,338)	Covid-19 Response Fund	(13,333)
<u>(19,886)</u>	<b>Total Non-Specific Government Grants</b>	<b>(59,642)</b>
(26,974)	Capital Grants & Contributions (Note 25)	(24,561)
<u>(53,526)</u>	<b>Total Income</b>	<b>(190,357)</b>

## 12 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The disclosures do not include transactions with related parties that the Council has no

discretion over such as council tax and rates payments, the award of benefits and Nursery Education Funding payments whose terms apply commonly across the local population and for which the related party would have a duty or entitlement if the relationship did not exist.

### Central Government

The UK Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the table of Expenditure and Income Analysed by Nature in Note 14.

### Members

The current Register of Members' Interest is available for public inspection at the Town Hall by request (2020/21 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 60 Councillors 3 declarations of related party interests were not received by 25 June 2021.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2020/21 is shown in Note 4.

Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have related party transactions with the Council in the last financial year, which although not material to the Council are considered material to the organisation providing the services. These are normal business transactions and the



Councillors have not been involved in the decision to award the contracts.

- Cllr W Fitzgerald is noted as a person with significant control of CAP – Radio Production and Media Buying Services Ltd which the Council paid £51k for COVID-19 related services during 2020/21.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £79k for services during 2020/21.
- Cllr M Cereste is a Director of Tower Properties (Peterborough) Ltd to which the Council paid £36k for the lease of residential properties in 2020/21
- Cllr M Farooq received £28k from the Council for the lease of residential properties in 2020/21.
- Cllr I Walsh received £8k from the Council for the lease of a residential property in 2020/21.
- Cllr J Goodwin was a partner of Worldwide Training Partnership which the Council paid £23k for services during 2020/21.

Members and officers are appointed by the council as representatives to its group companies and to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>) and is also available for public inspection at the Town Hall by request. The only significant transactions that have taken place with these bodies during 2020/21 which are not disclosed elsewhere are with Vivacity and City Culture Peterborough.

## Vivacity

Vivacity was an independent, not-for-profit organisation with charitable status which since 1 May 2010 until 30 September 2020 managed many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement (FMA). During 2020/21 the Council spent £1.2m on services with Vivacity (2019/20 £2.6m) and received £837k from Vivacity for services (2019/20 £1.3m). Vivacity served notice of termination of the FMA on 18 June 2020 as regulations under the Coronavirus Act 2020 constituted a force majeure which prevented performance of the FMA services for more than 90 days.

## City Culture Peterborough Ltd

City Culture Peterborough Ltd was established on 24 August 2020 and was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. It operates services on behalf of the Council through a Service Level Agreement. During 2020/21 the Council paid £1.0m for services provided by City Culture Peterborough Ltd.

## Other Public Bodies (subject to common control by central government)

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of:

- Legal services to Rutland County Council and Fenland District Council
- Regulatory services to Rutland County Council
- Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council

- Neighbourhood planning service to North Kesteven District Council and East Cambridgeshire District Council
- CCTV services to Fenland District Council from January 2020

The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities.

These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature, except to the arrangements with Cambridgeshire County Council and Cambridgeshire and Peterborough Combined Authority (as follows).

### **Cambridgeshire County Council**

The Council shares its Chief Executive, other senior staff and a range of services with Cambridgeshire County Council (CCC) to generate savings for the mutual benefit of both councils. Services shared include Public Health and Social Care Commissioning, Children and Adult Social Care management structures and Regulatory Services. During 2020/21 the Council paid £14.0m to CCC (2019/20 £8.1m) and received £5.9m from CCC (2019/20 £3.1m).

### **Cambridgeshire and Peterborough Combined Authority**

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017 and from 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and regulations came into force in October 2018 enabling the CPCA to levy the Council for the cost of delivering transport functions. During 2020/21 the services were delivered through both Cambridgeshire County and Peterborough City Councils and the levy charged was equal to the budgeted cost for these services. The Council has been

providing Legal and Finance Systems services to support CPCA. During 2020/21 the Council received £1.1m from CPCA for services provided, costs incurred and grants (£3.2m 2019/20) and received grants in advance of £376k (nil in 2019/20).

### **Entities Controlled or Significantly Influenced by the Council**

The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, and providing access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 to 30 September 2020 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity but from 1 October 2020 the cultural services and management of the Charity were transferred to City Culture Peterborough Ltd. However, the Council remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2020/21 due to the restrictions in place there was no fund raising activity (2019/20 £7k was raised).

Where the Council has substantial interest in companies and relevant transactions and balances, these are detailed in Note 13.

### 13 Interest in Companies and Partnerships

The Council has interests in a number of subsidiaries, Joint Ventures and associated companies. Summary financial information of these companies and related party transactions with the Council disclosed in the following text.

#### **Opportunity Peterborough Limited**

Opportunity Peterborough Limited is a wholly owned subsidiary of Peterborough City Council. The company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”.

The net assets of the company are £196k (2019/20 £253k) and it made a loss in year of £57k (2019/20 profit of £52k). The Council made a funding contribution to the company of £140k (2019/20 £140k).

#### **Blue Sky Peterborough Limited**

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2021 there have been no transactions through the company.

#### **Peterborough Investment Partnership LLP (PIP)**

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled by the Council and Peterborough Partnership PCC Ltd and was incorporated on 24 December 2014. The Partnership

exists to secure regeneration of key city centre sites with capital market investors.

The net assets of the Partnership at 31 March 2021 are £1.3m (£1.2m in 2019/20) and the Partnership made a net profit in year of £98k (net loss in 2019/20 of £269k). During 2020/21 the Council paid £25k for services (2019/20 £0) from the Partnership and received £94k in 2020/21 for services (2019/20 £339k).

#### **Empower Community Interest Company (CIC)**

The members of Empower Peterborough Community Interest Company are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council.

The net assets of the company are estimated at £9k (2019/20 £11k) and it made an estimated loss in year of £2k (2019/20 loss of £2k).

#### **NPS Peterborough Ltd**

NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council.

The net assets of the company are £546k (2019/20 £420k) and it made a profit in year of £163k (2019/20 profit of £198k). During the year the Council spent £2.2m on services with the company (2019/20 £2.3m) and received £255k for services (2019/20 £214k).

### **Medesham Homes LLP**

Medesham Homes LLP is a limited liability partnership, and the members are CKH Developments Limited (A member), Medesham Limited (B member) and Peterborough City Council (A member). The partnership is controlled 50:50 by the A members, CKH Developments Limited and Peterborough City Council, and was incorporated on the 25 November 2016. The partnership was incorporated with the objectives to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups.

The net assets of the partnership are £483k (2019/20 £160k) and it made a profit of £323k (2019/20 profit of £64k). During 2020/21 the Council made a capital grant of £400k to Medesham Homes LLP for the provision of homes for affordable rent (2019/20 £7.7m) and received £16k for services, (2019/20 received £420k for the purchase of property).

### **Medesham Limited**

Medesham Limited was incorporated with the purpose of holding interests in corporate entities; in relation to or as subsidiaries of Medesham Homes LLP. CKH Developments Ltd holds one B

share of £1 and Peterborough City Council holds one A share of £1 with both shares ranking equally.

### **Peterborough HE Property Company Ltd**

Peterborough HE Property Company Ltd is an associated company of Peterborough City Council. The company was incorporated on the 19 June 2020 and the Council received £1.9m Ordinary B shares on the 23 December 2020. The company has a board of four directors, of which the Council has one representative director who was appointed on the 23 December 2020. The Company is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough.

The net assets of the company are £26.4m and it made a net loss in the year of £314k.

### **Peterborough Limited**

Peterborough Limited is a wholly owned subsidiary of Peterborough City Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and Peterborough Ltd, using the Vivacity branding to deliver Leisure Services. It was incorporated on the 31 July 2018. The company is a Local Authority Trading Company (LATCo) and has been set up as a Teckal company, which means that at least 80% of its income will come from the Council. The company is limited by shares, and the share capital of the company is £1.

Peterborough Ltd has been consolidated into the Group Accounts of the Council, please see page 107 for further details.

## 14 Expenditure and Funding Analysis and Subjective Analyses

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure Chargeable to the General Fund	2019/20*	Net Expenditure in the CIES	Expenditure and Funding Analysis (EFA)	Notes (From Page 25)	2020/21	Net Expenditure in the CIES
	Adjustments between the Funding and Accounting Basis (Note 15)				Expenditure Chargeable to the General Fund	
£000	£000	£000			£000	£000
1,071	82	1,153	Business Improvement		691	741
1,584	182	1,766	Chief Executives		1,220	1,315
7,784	(32)	7,752	Customer & Digital Services		6,629	6,788
4,393	335	4,728	Governance	4	3,926	4,168
78,777	23,488	102,265	People & Communities	1, 2, 6	79,229	93,136
18,500	19,825	38,325	Place & Economy		22,639	41,021
241	48	289	Public Health	6	(495)	(460)
44,948	(18,737)	26,211	Resources	3	44,489	14,303
157,298	25,191	182,489	<b>Cost of Services</b>		<b>158,328</b>	<b>161,012</b>
(150,211)	13,645	(136,566)	Other Income & Expenditure	9, 10, 11	(193,424)	(155,816)
7,087	38,836	45,923	<b>(Surplus) / Deficit on Provision of Services</b>		<b>(35,096)</b>	<b>5,196</b>
(40,591)			Opening General Fund Balance	15	(35,734)	
7,087			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		(35,096)	
<b>(33,504)</b>			<b>Closing General Fund Balance*</b>	15	<b>(70,830)</b>	

\* Restated for post balance sheet event relating to an impairment of a former short term loan

Adjustments for Capital Purposes <sup>1</sup>	2019/20			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes <sup>1</sup>	2020/21		
	Net change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments			Net change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
-	82	-	82	Business Improvement	-	44	6	50
-	183	(1)	182	Chief Executives	-	87	8	95
(140)	123	(15)	( 32)	Customer & Digital Services	-	123	36	159
-	332	3	335	Governance	-	192	50	242
13,297	9,050	1,141	23,488	People & Communities	10,025	4,696	(814)	13,907
19,006	704	115	19,825	Place & Economy	18,864	455	(937)	18,382
-	47	1	48	Public Health	-	32	3	35
12,843	(2,154)	(29,426)	(18,737)	Resources	3,410	(5,974)	(27,621)	(30,185)
45,006	8,367	(28,182)	25,191	<b>Cost of Services</b>	<b>32,299</b>	<b>( 345)</b>	<b>(29,269)</b>	<b>2,685</b>
(21,025)	8,076	26,594	13,645	Other income and expenditure from the EFA	(24,168)	5,128	56,648	37,608
23,981	16,443	(1,588)	38,836	<b>Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services</b>	<b>8,131</b>	<b>4,783</b>	<b>27,379</b>	<b>40,293</b>

<sup>1</sup> Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and deducts the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions as these are not chargeable under generally accepted accounting practices, and for:

- Other Operating Income & Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the gains and losses in Fair Value of Investment Properties are added in.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

<sup>2</sup> Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CIES.

<sup>3</sup> Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- A number of items which are reported against services in the management accounts but are shown as Other Income and Expenditure in the CIES are adjusted including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

Revenues from External Customers £000	2019/20		Segmental analysis of certain Items of Income and Expenditure shown net in the EFA	2020/21	
	Interest Revenue £000	Interest Expense £000		Revenues from External Customers £000	Interest Revenue £000
(15)	-	-	Business Improvement	-	-
(294)	-	-	Chief Executives	(250)	-
(849)	-	14	Customer & Digital Services	(1,806)	-
(952)	-	-	Governance	(710)	-
(50,093)	(11)	327	People & Communities	(49,490)	(4)
(14,459)	9	1	Place & Economy	(12,243)	5
(380)	-	-	Public Health	(727)	-
(13,622)	(1,496)	18,153	Resources	(12,296)	(1,554)
<b>(80,664)</b>	<b>(1,498)</b>	<b>18,495</b>	<b>Total in Cost of Services</b>	<b>(77,522)</b>	<b>(1,553)</b>

2019/20*	Expenditure & Income Analysed by Nature £000	2020/21 £000
126,489	<b>Expenditure</b> Employee Expenses	107,495
12,866	Employee Expenses (Voluntary Aided and Foundation Schools) <sup>1</sup>	12,303
313,730	Other Service Expenses	322,444
30,880	Depreciation, Amortisation & Impairment	29,035
18,495	Interest Payments (Note 10)	18,197
237	Loss in Fair Value of Investment Properties	173
4,951	Precepts & Levies (Note 9)	5,228
<b>507,648</b>	<b>Total Expenditure</b>	<b>494,875</b>
(81,306)	<b>Income</b> Fees, Charges & Other Service Income	(77,522)
(1,991)	Capital Receipts (Note 15)	(7,449)
-	Gain in Fair Value of Investment Properties	-
(1,976)	Interest & Investment Income (Note 28)	(3,713)
(78,415)	Income from Council Tax (Note 11)	(82,683)
(48,188)	NDR Income (Note 11)	(26,197)
(249,849)	Government Grants & Other Contributions	(292,115)
<b>(461,725)</b>	<b>Total Income</b>	<b>(489,679)</b>
<b>45,923</b>	<b>Deficit / (Surplus) on the Provision of Services</b>	<b>5,196</b>

<sup>1</sup>Following the reporting requirements stipulated by the Code on accounting for schools, the Council's Statement of Accounts includes an analysis of the income and expenditure of the Council's maintained schools as if it were the expenditure of the Council. However Voluntary Aided and Foundation schools employees are not in fact employees of the Council, so they are shown separately in this note.

\* 2019/20 restated

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

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

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

terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation, however the Council is restricted in the use of these as the schools balances are held by schools and can only be spent by schools. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Council to maintain a prudent level of reserves.

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



Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
<b>Adjustments involving the Capital Adjustment Account:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(25,377)	-	-	25,377
Revaluation losses on Property Plant and Equipment	(4,733)	-	-	4,733
Movements in the fair value of Investment Properties	(173)	-	-	173
Amortisation of intangible assets	(3,658)	-	-	3,658
Capital grants and contributions	29,313	-	-	(29,313)
Revenue expenditure funded from capital under statute	(10,719)	-	-	10,719
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(13,560)			13,560
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	10,628	-	-	(10,628)
Capital expenditure charged against the General Fund	30			( 30)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	2,694	-	(2,694)	-
Capital grants reclassification	(25)	-	25	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	142	( 142)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	6,284	(6,284)	-	-
Capital Receipts used for the repayment of loans	-	6,284	-	(6,284)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer to deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	1,165	-	-	(1,165)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	11	-	-	(11)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(18,180)	-	-	18,180
Employer's pensions contributions & direct payments to pensioners payable in the year	13,397	-	-	(13,397)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,290)	-	-	1,290
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(25,520)	-	-	25,520
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>				
Adjustments for short-term compensated absences	(580)	-	-	580
<b>Total Adjustments</b>	<b>(40,293)</b>	<b>-</b>	<b>(2,527)</b>	<b>42,820</b>

<i>Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20</i>	<i>Usable Reserves</i>			<i>Movement</i>
	<i>General Fund Balance</i>	<i>Capital Receipts Reserve</i>	<i>Capital Grants Unapplied</i>	<i>in Unusable Reserves</i>
<i>Adjustments involving the Capital Adjustment Account:</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i><u>Reversal of items debited or credited to the CIES:</u></i>				
<i>Depreciation &amp; impairment of non-current assets</i>	(26,786)	-	-	26,786
<i>Revaluation losses on Property Plant and Equipment</i>	(2,983)	-	-	2,983
<i>Movements in the fair value of Investment Properties</i>	(237)	-	-	237
<i>Amortisation of intangible assets</i>	(3,278)	-	-	3,278
<i>Capital grants and contributions</i>	35,453	-	-	(35,453)
<i>Revenue expenditure funded from capital under statute</i>	(24,529)	-	-	24,529
<i>Impairment of Financial Assets (Loans)</i>	(2,645)	-	-	2,645
<i>Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES</i>	(9,737)	-	-	9,737
<i><u>Insertion of items not debited or credited to the CIES:</u></i>				
<i>Statutory provision for the financing of capital investment</i>	5,918	-	-	(5,918)
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
<i>Capital grants &amp; contributions unapplied from the CIES</i>	620	-	(620)	-
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>	-	-	772	( 772)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
<i>Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES</i>	1,991	(1,991)	-	-
<i>Redemption of Financial Assets (Loans)</i>	-	-	-	-
<i>Use of the reserve to finance capital expenditure</i>	-	-	-	-
<i>Capital Receipts used for the repayment of loans</i>	-	10,874	-	(10,874)
<i>Contribution from the reserve to finance the payments to the Government capital receipts pool.</i>	-	-	-	-
<i>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</i>	-	(1,220)	-	1,220
<i>Adjustments involving the Deferred Capital Receipts Reserve</i>				
<i>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES</i>	-	-	-	-
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
<i>Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.</i>	10	-	-	(10)
<i>Adjustments involving the Pensions Reserve:</i>				
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(30,424)	-	-	30,424
<i>Employer's pensions contributions &amp; direct payments to pensioners payable in the year</i>	13,983	-	-	(13,983)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
<i>Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</i>	166	-	-	( 166)
<i>Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements</i>	1,956	-	-	(1,956)
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
<i>Adjustments for short-term compensated absences</i>	(544)	-	-	544
<b>Total Adjustments</b>	<b>(41,066)</b>	<b>7,663</b>	<b>152</b>	<b>33,251</b>

- **Summary of Usable and Unusable Reserves**

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

1 April 2019 £000	Movement £000	31 March 2020 £000	<b>Summary of Usable and Unusable Reserves</b>	1 April 2020 £000	Movement £000	31 March 2021 £000
			<b>Usable Reserves</b>			
(6,000)	888	(5,112)	General Fund Balance	(5,112)	(888)	(6,000)
(3,374)	215	(3,159)	School's Balances	(3,159)	(1,562)	(4,721)
(31,217)	3,753	(27,464)	Specific Earmarked Reserves (Note 16)	(27,464)	(32,647)	(60,111)
(7,663)	7,663	-	Capital Receipts Reserve	-	-	-
(1,110)	152	(958)	Capital Grants Unapplied Account	(958)	(2,527)	(3,485)
<b>(49,364)</b>	<b>12,671</b>	<b>(36,693)</b>	<b>Total Usable Reserves</b>	<b>(36,693)</b>	<b>(37,624)</b>	<b>(74,317)</b>
			<b>Unusable Reserves</b>			
(132,737)	(12,829)	(145,566)	Revaluation Reserve	(145,566)	4,873	(140,693)
101,915	9,955	111,870	Capital Adjustment Account	111,870	2,680	114,550
(1,227)	1,220	(7)	Deferred Capital Receipts Reserve	(7)	(1,165)	(1,172)
435	(10)	425	Financial Instruments Adjustment Account	425	(11)	414
332,035	(110,547)	221,488	Pension Reserve	221,488	100,191	321,679
(527)	(2,122)	(2,649)	Collection Fund Adjustment Account	(2,649)	26,810	24,161
2,372	542	2,914	Accumulating Compensated Absences Adjustment Account	2,914	580	3,494
<b>302,266</b>	<b>(113,791)</b>	<b>188,475</b>	<b>Total Unusable Reserves</b>	<b>188,475</b>	<b>133,958</b>	<b>322,433</b>
<b>252,902</b>	<b>(101,120)</b>	<b>151,782</b>	<b>Total Usable and Unusable Reserves</b>	<b>151,782</b>	<b>96,334</b>	<b>248,116</b>

- **Revaluation Reserve**

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

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

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

2019/20 £000	<b>Revaluation Reserve:</b>	2020/21 £000
(132,737)	Balance at start of year	(145,566)
(43,005)	Upward revaluation of assets	(13,626)
22,952	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	9,356
2,283	Difference between fair value depreciation & historical cost depreciation	2,687
4,941	Release of revaluation gains on disposal	6,456
<u>(145,566)</u>	Balance at end of the year	<u>(140,693)</u>

- **Capital Adjustment Account**

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation,

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

2019/20 £000	<b>Capital Adjustment Account:</b>	2020/21 £000
101,915	Balance at start of year	111,870
26,786	Charges for depreciation & Impairment	25,377
2,984	Revaluation (gains) / losses on Property, Plant & Equipment	4,733
237	Movement in fair market value of Investment Properties	173
3,278	Amortisation of Intangible Assets	3,658
(35,453)	Capital Grants & Contributions that have been applied to Capital Financing	(29,313)
(772)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(142)
18,965	Revenue Expenditure Funded from Capital under Statue (REFCUS)	9,956
5,564	Capital Direction	763
9,737	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	13,560
2,645	Impairment of Empower Loan	-
-	Capital expenditure charged against the General Fund	(30)
(10,874)	Use of Capital Receipts to Repay Loans	(6,284)
(5,918)	Revenue Provision for the Repayment of Loans	(10,628)
(2,283)	Depreciation & Impairment written down to Revaluation Reserve	(2,687)
(4,941)	Transfer of Revaluation Reserve on disposal	(6,456)
<u>111,870</u>	Balance at end of the year	<u>114,550</u>

- **Deferred Capital Receipts Reserve**

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

2019/20 £000	<b>Deferred Capital Receipts Reserve:</b>	2020/21 £000
(1,227)	Balance at start of year	(7)
-	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(1,165)
1,220	Transfer to the Capital Receipts Reserve upon receipt of cash	-
<u>(7)</u>	Balance at end of the year	<u>(1,172)</u>

- **Financial Instruments Adjustment Account**

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

2019/20 £000	<b>Financial Instruments Adjustment Account:</b>	2020/21 £000
435	Balance at start of year	425
(10)	Interest Paid on Short Term Loans	(11)
<u>425</u>	Balance at end of the year	<u>414</u>

- **Pensions Reserve**

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

2019/20 £000	<b>Pensions Reserve:</b>	2020/21 £000
332,035	Balance at start of year	221,488
(126,988)	Actuarial gains / losses on pension assets & liabilities (Note 7)	95,408
30,424	Reversal of items relating to Post-Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	18,180
(13,983)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(13,397)
<u>221,488</u>	Balance at end of the Year	<u>321,679</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 86.

<i>2019/20</i> £000	<b>Collection Fund Adjustment Account:</b>	<b>2020/21</b> £000
(527)	Balance at start of year	(2,649)
(166)	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	1,290
(1,956)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	25,520
<u>(2,649)</u>	Balance at end of the Year	<u>24,161</u>

- **Accumulating Compensated Absences Adjustment Account**

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

<i>2019/20</i> £000	<b>Accumulating Compensated Absences Adjustment Account:</b>	<b>2020/21</b> £000
2,372	Balance at start of year	2,914
542	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	580
<u>2,914</u>	Balance at end of the Year	<u>3,494</u>

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

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

General Fund Earmarked Reserves	31 March 2020 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2021 £000	Purpose of the Earmarked Reserve
Departmental Reserves	5,077	(1,620)	1,927	(5)	5,379	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	3,073	(144)	386	-	3,315	To provide for future claims (self-insurance). A number of risks, contingencies and financial losses are 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 £50,000 per loss, are also met by the Reserve.
Schools Capital	752	(181)	86	-	658	School revenue reserves put aside for funding future school capital schemes.
Capacity Building	12,992	(1,936)	3,975	5	15,036	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	9	-	122	-	131	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
C-19 Funding Reserve	5,332	(5,332)	12,841	-	12,841	To be used to fund C-19 pressures across all services in 2021/22.
C-19 Tax Income Reserve	-	-	22,521	-	22,521	Grant income expected through the Tax Income Guarantee Scheme of £2.3m. This will be used to mitigate future tax income losses as a result of the pandemic. Includes £20.2m of section 31 grants to compensate for the loss of Business Rates Income experienced as retail relief, provided to business, as financial support to over the pandemic.
Other	229	(6)	7	-	229	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
<b>Total Reserves</b>	<b>27,464</b>	<b>(9,219)</b>	<b>41,865</b>	<b>-</b>	<b>60,110</b>	

## 17 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2020/21	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2020 Gross Book Value</b>	370,579	36,227	326,374	961	683	1,135	7,738	743,697
Additions	5,360	1,865	20,753	21	-	2	9,580	37,581
Revaluation increase / (decrease) recognised in the Revaluation Reserve	3,008	-	-	-	-	-	-	3,008
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(5,236)	-	-	-	-	-	-	(5,236)
Derecognition - Disposals	(10,351)	-	-	-	-	-	-	(10,351)
Derecognition – Other	-	-	-	-	-	-	(7)	(7)
Reclassified Assets	(2,014)	-	-	-	-	-	-	(2,014)
Assets Under Construction Completed In Year	8,554	-	-	-	-	-	(8,616)	(62)
<b>At 31 March 2021</b>	<b>369,900</b>	<b>38,092</b>	<b>347,127</b>	<b>982</b>	<b>683</b>	<b>1,137</b>	<b>8,695</b>	<b>766,616</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 01 April 2020</b>	(14,279)	(16,985)	(145,201)	(60)	-	(104)	-	(176,629)
Depreciation Charge	(7,087)	(5,004)	(13,990)	-	-	-	-	(26,081)
Depreciation written out to the Revaluation Reserve	1,991	-	-	-	-	-	-	1,991
Depreciation written out to the (Surplus) / Deficit on Provision of Services	544	-	-	-	-	-	-	544
Impairment (losses) /reversals recognised in the Revaluation Reserve	(631)	-	-	-	-	-	-	(631)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	844	(119)	-	(21)	-	-	-	704
Derecognition - Disposals	874	-	-	-	-	-	-	874
<b>At 31 March 2021</b>	<b>(17,744)</b>	<b>(22,108)</b>	<b>(159,191)</b>	<b>(81)</b>	<b>-</b>	<b>(104)</b>	<b>-</b>	<b>(199,228)</b>
<b>Net Book Value - At 31 March 2021</b>	<b>352,156</b>	<b>15,984</b>	<b>187,936</b>	<b>901</b>	<b>683</b>	<b>1,033</b>	<b>8,695</b>	<b>567,388</b>
<i>Net Book Value - At 31 March 2020</i>	<i>356,300</i>	<i>19,242</i>	<i>181,173</i>	<i>901</i>	<i>683</i>	<i>1,031</i>	<i>7,738</i>	<i>567,068</i>



Comparative Movements in 2019/20

<i>Property, Plant &amp; Equipment (PPE) – 2019/20</i>	<i>Other Land &amp; Buildings</i>	<i>Vehicles, Plant &amp; Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2019 Gross Book Value</i>	361,672	42,318	309,446	901	683	1,135	2,058	718,213
<i>Additions</i>	9,609	2,250	17,286	60	-	-	7,135	36,340
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	15,011	-	-	-	-	-	-	15,011
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(7,254)	-	-	-	-	-	-	(7,254)
<i>Derecognition - Disposals</i>	(8,788)	(8,341)	(358)	-	-	-	-	(17,487)
<i>Reclassified Assets</i>	(1,100)	-	-	-	-	-	-	(1,100)
<i>Assets Under Construction Completed In Year</i>	1,429	-	-	-	-	-	(1,455)	(26)
<i>At 31 March 2020</i>	370,579	36,227	326,374	961	683	1,135	7,738	743,697
<i>Accumulated Depreciation and Impairment</i>								
<i>At 01 April 2019</i>	(17,389)	(19,993)	(131,786)	-	-	(104)	-	(169,272)
<i>Depreciation Charge</i>	(6,799)	(5,014)	(13,558)	-	-	-	-	(25,371)
<i>Depreciation written out to the Revaluation Reserve</i>	6,035	-	-	-	-	-	-	6,035
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	4,271	-	-	-	-	-	-	4,271
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	(991)	-	-	-	-	-	-	(991)
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(168)	(301)	-	(60)	-	-	-	(529)
<i>Derecognition - Disposals</i>	762	8,323	143	-	-	-	-	9,228
<i>At 31 March 2020</i>	(14,279)	(16,985)	(145,201)	(60)	-	(104)	-	(176,629)
<i>Net Book Value - At 31 March 2020</i>	356,300	19,242	181,173	901	683	1,031	7,738	567,068
<i>Net Book Value - At 31 March 2019</i>	344,283	22,325	177,660	901	683	1,031	2,058	548,941

## 18 Investment Properties

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

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

2019/20 £000	Investment Properties	2020/21 £000
25,676	Balance at start of year	23,551
99	Subsequent Expenditure (Note 25)	4,174
26	Assets Under Construction Completed in Year	62
(1,127)	Disposals	(4,559)
(237)	Revaluations (Note 10)	(173)
(886)	Impairment	-
-	(To) / From Property, Plant and Equipment	2,565
<b>23,551</b>	<b>Balance at end of the Year</b>	<b>25,620</b>

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out by the Council's external valuers, NPS Peterborough Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. There have been no changes in the valuation techniques used during the year for investment properties.

The Council's investment properties are valued in accordance with the 'Fair Value Hierarchy', as follows:

- Level One – quoted prices in active markets for identical assets

- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

The fair value for investment properties (commercial units) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level Two in the fair value hierarchy.

There have been no transfers between Levels One and Two, and Levels Two and Three during the year.

## 19 Intangible Assets

Intangible assets are assets that do not have physical substance for example computer software and licences. There are two items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

31 March 2020	Intangible Assets	Remaining Amortisation Period Years	31 March 2021
£000			£000
1,834	Lot 1 Viridor Contract	25	1,761
573	Sand Martin House ICT	1	287
<b>2,048</b>	<b>Total</b>		<b>2,048</b>

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

The carrying amount of intangible assets is amortised on a straight-line basis. The movement on Intangible Assets balances during the year is shown in the following table:

<i>31 March 2020</i>	<b>Intangible Assets</b>	<b>31 March 2021</b>
<i>£000</i>	Balance at 1 April:	<b>£000</b>
22,581	Gross Carrying Amounts	25,120
(13,437)	Accumulated Amortisation	(16,715)
<u>9,144</u>	<b>Net Carrying Amount at Start of the Year</b>	<b>8,405</b>
	Additions	
2,539	Purchases (Note 25)	1,224
(3,278)	Amortisation for the period	(3,658)
<u>8,405</u>	<b>Net Carrying Amount at the End of Year</b>	<b>5,971</b>
25,120	Gross Carrying Amounts	26,344
(16,715)	Accumulated Amortisation	(20,373)
<u>8,405</u>	<b>Net Carrying Amount at the End of Year</b>	<b>5,971</b>

## 20 Assets Held for Sale

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

<i>2019/20 £000</i>	<b>Assets Held for Sale - Current Assets</b>	<b>2020/21 £000</b>
1,217	Balance at 1 April:	2,015
13	Revaluation Gains	-
-	Revaluation increase/(decrease) recognised in the Revaluation Reserve	(98)
(13)	Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services	(41)
1,100	Property, Plant and Equipment Declassified as Held for Sale	(551)
(350)	Assets Sold	(1,394)
	<b>Other movements:</b>	
48	Additions (Note 25)	69
<u>2,015</u>	<b>Balance at end of the Year</b>	<b>-</b>

## 22 Capital Commitments

As at 31 March 2021 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and Intangible Assets. These contracts, at a budgeted cost of £36.7m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract/ Capital Scheme	Value of contract £000	Value outstanding at 31/3/21 £000
Nene Bridge Bearings	2,040	1,484
Whittlesey Rd Access Phase 2	1,786	842
A1260 Nene Parkway Improvement	445	420
Junction 15 & 18 Construction Works	712	430
Green Wheel Improvements	177	167
More Cycling - PCN	275	149
Road and Bridges Lighting	287	121
Demolition and construction of replacement double storey dwelling at Willow Barn Farm	291	130
Replacement roller shutter doors to Units 1-32 Alfric Square	135	135
Refurbishment of the Town Hall North	3,918	39
Refurbishment of existing tenanted chalets at Paston Travellers site	213	213
Refurbishment works at Westcombe Engineering	167	167
St John Henry Newman RC Primary School Construction	632	155
Manor Drive Schools Project	25,184	2,195
Expansion of Marshfields School	486	243
<b>Total</b>	<b>36,748</b>	<b>6,890</b>

## 23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at current value and is revalued at least every four years. The valuations in 2020/21 were carried out by NPS Peterborough Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year NPS Peterborough Ltd also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

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

the least cost of purchasing the remaining service potential of the asset at the date of valuation.

The Council revalued £73.4m of Land and Buildings in 2020/21 and £303.0m in 2019/20 which is approximately 20% of the Council overall Gross Book Value of the assets held in Land and Buildings.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has and continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are starting to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt the valuations are not reported as being subject to ‘material valuation uncertainty’ as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.

Further details at <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus>.

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

Revaluation Reserve See Note 15	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
	£000	£000	£000	£000
Valued at current value as at:				
31 March 2021	(4,971)		98	(4,873)
31 March 2020	12,829	-	-	12,829
31 March 2019	(18,775)	(5)	(779)	(19,559)
31 March 2018	8,015	(4)	79	8,090
31 March 2017 & Prior Years	141,919	11	2,276	144,206
<b>Total Valuation</b>	<b>139,017</b>	<b>2</b>	<b>1,674</b>	<b>140,693</b>

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

## 24 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Note 17 which reconcile the movement over the year for Property, Plant, and Equipment (PPE).

During 2020/21 £0.7m (2019/20 £2.3m) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This relates to capital expenditure that has been spent on improving the Council’s assets which has not significantly increased the value of each individual building.

## 25 Capital Expenditure and Capital Financing

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

2019/20 £000		2020/21 £000
577,427	<b>Opening Capital Financing Requirement</b>	<b>588,429</b>
29,205	Property, Plant and Equipment (Note 17)	28,001
7,135	Assets Under Construction (AUC) (Note 17)	9,580
99	Investment Properties (Note 18)	4,174
2,539	Intangible Assets (Note 19)	1,224
48	Assets Held For Sale (Note 20)	69
19,355	Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,949
(312)	Prior Year REFCUS Grant Return and Abortive Costs	7
5,564	Capitalisation Direction	763
386	Loans to Third Parties	3,004
	<b>Sources of Finance</b>	
(36,225)	Capital Grants & Contributions	(29,455)
(5,918)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(10,628)
(10,874)	Repayment of Loan debt from Capital Receipts	(6,284)
-	Capital Receipts – repayment of Loan	-
<u>588,429</u>	<b>Closing Capital Financing Requirement</b>	<u>598,833</u>
	<b>Explanation of movements in year</b>	
27,728	Increase in underlying need to borrow:	27,288
378	Assets acquired under finance leases	21
(312)	Prior Year REFCUS Grant Return and Abortive Costs	7
	Decrease in underlying need to borrow:	
(5,918)	MRP	(10,628)
(10,874)	Capital Receipts used to repay MRP	(6,284)
<u>11,002</u>	<b>Increase in Capital Financing Requirement</b>	<u>10,404</u>

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing

Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2020/21 this expenditure is £9.9m compared with £19.4m in 2019/20. REFCUS expenditure of £6.5m relates to Academies (25 schools have now transferred to Academies since the transfer programme began) and Free Schools. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2019/20 £000	Reconciliation of Grant Funding Applied to Capital Financing	2020/21 £000
26,974	Grants Received in year (Note 11)	24,561
-	POIS used to fund MRP	-
(620)	Grants Received in year not applied in year	(2,669)
772	Grants Applied from Capital Grants Unapplied Account	142
	<b>Grants used to Fund Revenue Expenditure Funded from Capital under Statute:</b>	
9,099	In Year	7,421
<u>36,225</u>	<b>Total Grants &amp; Contributions applied</b>	<u>29,455</u>

2019/20 £000	Body of Grant Funding Applied	2020/21 £000
2,298	Ministry of Housing, Communities & Local Government	5,501
90	Department for Transport	419
17,231	Department of Education	9,402
72	Department of Health	-
-	Homes England	625
9,656	Cambridgeshire & Peterborough Combined Authority	11,749
<b>27,696</b>	<b>Total Grants Applied</b>	<b>27,696</b>
4,581	Section 106 Contributions	624
2,297	Third Party Contributions	1,135
<b>1,759</b>	<b>Total Contributions applied</b>	<b>1,759</b>
<b>29,455</b>	<b>Total Grants &amp; Contributions applied</b>	<b>29,455</b>

## 26 Private Finance Initiatives (PFI) and Similar Contracts

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

Queen Katherine Academy and Jack Hunt have transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the remaining school which is recognised on the Council's Balance Sheet is £14.7m (2019/20 £15.5m).

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
<b>Payable:</b>				
In 2021/22	942	1,862	5,765	8,569
Within two to five years	4,544	6,822	23,895	35,261
Within six to ten years	9,011	7,662	29,805	46,478
Within 11 to 15 years	11,312	3,678	34,486	49,476
Within 16 to 18 years	3,080	(456)	11,818	14,442
<b>Total</b>	<b>28,889</b>	<b>19,568</b>	<b>105,769</b>	<b>154,226</b>

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

31 March 2020 £000		31 March 2021 £000
(30,786)	Balance brought forward	(29,863)
923	Lease liability redemption in the year	974
<b>(29,863)</b>	<b>Value of Total Liability carried forward</b>	<b>(28,889)</b>
(974)	Short Term Liability	(942)
(28,889)	Long Term Liability	(27,947)
<b>(29,863)</b>	<b>Value of Total Liability carried forward</b>	<b>(28,889)</b>

## 27 Council Leasing Arrangements

### Council as Lessee - Finance Leases

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

31 March 2020 £000	Council as Lessee - Finance Leases	31 March 2021 £000
14,994	Other Land & Buildings	15,486
421	Vehicles, Plant Furniture & Equipment	344
<b>15,415</b>	<b>Total</b>	<b>15,830</b>

The Council has two long finance leases on Investment Properties, 36 Academy finances leases and a finance lease for Council offices and car park.

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

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

31 March 2020 £000	Finance Lease Liabilities (net present value of minimum lease payments)	31 March 2021 £000
286	Current	257
15,798	Non-current	15,556
42,279	Finance costs payable in future years*	40,512
<b>58,363</b>	<b>Minimum lease payments</b>	<b>56,325</b>

\* Non-Peppercorn leases range from one to 85 years

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

31 March 2020			31 March 2021	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
2,054	286	Not later than one year	1,994	257
7,836	1,068	Later than one year & not later than five years	7,725	1,073
48,473	14,730	Later than five years *	46,606	14,483
<b>58,363</b>	<b>16,084</b>	<b>Total</b>	<b>56,325</b>	<b>15,813</b>

\* Non-Peppercorn leases range from one to 85 years

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



Of the investment properties held under these finance leases, the Council has sub-let individual units as well as two retail units and the second floor of the Council offices at Sand Martin House which are classified as operating leases.

At 31 March 2021 the minimum payments expected to be received under these two property finance leases was £293k (£221k (restated) in 2019/20).

### Council as Lessee - Operating Leases

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

The future minimum lease payments due under these contracts are enforceable during that period and would only be cancelled with the permission of the landlord:

31 March 2020		31 March 2021
£000	<b>Council as Lessee - Operating Leases</b>	<b>£000</b>
1,604	Not later than one year	1,761
5,620	Later than one year & not later than five years	5,536
13,014	Later than five years	12,076
<u>20,238</u>	<b>Total</b>	<u><b>19,373</b></u>

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

31 March 2020		31 March 2021
£000	<b>Council as Lessee - Operating Leases</b>	<b>£000</b>
1,741	Minimum lease payments	1,927
-	Contingent rents	-
(385)	Sublease payment receivable	(586)
<u>1,356</u>	<b>Total</b>	<u><b>1,341</b></u>

### Council as Lessor - Finance Leases

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

### Council as Lessor – Operating Leases

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

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

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

31 March 2020		31 March 2021
£000	<b>Council as Lessor - Operating Leases</b>	<b>£000</b>
3,501	Not later than one year	3,833
15,527	Later than one year & not later than five years	17,055
46,259	Later than five years*	45,317
<u>65,287</u>	<b>Total</b>	<u><b>66,205</b></u>

\* Above operating leases range from five to 125 years

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

## 28 Financial Instruments

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate (EIR) calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

2019/20 £000		2020/21 £000
	<b>Financial Assets</b>	
(1,498)	Interest Income	(1,553)
(478)	Other Investment Income	(2,161)
<u>(1,976)</u>	<b>Total for Financial Assets (Note 10)</b>	<b>(3,714)</b>
	<b>Financial Liabilities</b>	
2,071	Interest Payable Relating to PFI	1,994
16,424	Interest Payable on Borrowings	16,204
<u>18,495</u>	<b>Total for Financial Liabilities (Note 10)</b>	<b>18,198</b>
<u>16,519</u>	<b>Net expenditure for the year</b>	<b>14,484</b>

Under IFRS 9 the financial assets on the Balance Sheet are now classified by one of the following categories:

- Amortised Cost
- Fair Value through the Income and Expenditure
- Fair Value through the Profit and Loss

March 2020 Long Term £000	March 2020 Current £000	Financial Instruments Balances	March 2021 Long Term £000	March 2021 Current £000
		<b>Assets at Amortised Cost:</b>		
-	3	Investments	-	-
-	-	Investment in Shares (HE Company)	1,870	-
-	10,437	Cash and Bank	-	18,184
-	-	Hilton Hotel Loan	3,075	-
20,400	-	Debtors – ECS Peterborough 1 LLP	20,400	-
2,509	14,409	Debtors - Loans and receivables	1,177	10,027
<u>20,400</u>	<u>10,440</u>	<b>Total</b>	<b>26,522</b>	<b>18,184</b>
		<b>Liabilities at Amortised Cost</b>		
(374,587)	(103,000)	Borrowings - Financial liabilities at amortised cost	(374,587)	(95,000)
-	(3,457)	Accrued Interest associated with Borrowing	-	(3,423)
(120)	-	Long term Creditors	(109)	-
(29,863)	-	Long term PFI	(28,889)	-
(14,824)	-	Long term finance lease liabilities	(14,621)	-
-	(4,151)	Creditor - Financial liabilities at amortised cost	-	(3,536)
<u>(419,394)</u>	<u>(110,608)</u>	<b>Total</b>	<b>(418,206)</b>	<b>(101,959)</b>

Note: Accrued interest is not required for instruments measured at Equivalent Interest Rate as this adjustment covers a full year's interest.

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

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

- PWLB interest rates for new loans at 31 March 2021 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;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The Amortised Cost value includes trade debtors. The Fair Values calculated are shown in the following table.

The financial liabilities are held with PWLB and market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used Level 2 valuations calculated using a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses the effective rate of interest for the relevant instrument. The Council uses the new borrowing rates to discount the future cash flows.

2019/20		Financial Liabilities	2020/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(369,587)	(445,846)	PWLB debt	(369,587)	(478,852)
(5,000)	(4,964)	Non-PWLB debt	(5,000)	(5,035)
(103,000)	(109,533)	Short term borrowing *	(95,000)	(103,218)
		Accrued Interest associated with Borrowing	(3,423)	(3,423)
(3,457)	(3,457)	Short term creditors	(2,344)	(2,344)
(2,891)	(2,891)	Short term finance lease liability	(1,192)	(1,192)
(1,260)	(1,260)	Long term creditors	(110)	(110)
(120)	(120)	Long term PFI & finance lease liabilities	(43,510)	(59,448)
(44,687)	(56,750)			
<b>(530,002)</b>	<b>(624,821)</b>	<b>Total</b>	<b>(520,166)</b>	<b>(653,622)</b>

\* Short term borrowing includes £17.5m of LOBO's

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates, see Note 30 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £478.9m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with

the PWLB, against what would be paid if the loans were at prevailing market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

2019/20		Financial Assets	2020/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
3	3	Short Term Investments	-	-
-	-	Investment in HE Company Shares	1,870	1,870
-	-	Hilton Hotel Loan	3,075	3,075
20,400	20,400	ECS Peterborough 1 LLP Loan	20,400	20,400
2,509	2,509	Other Long Term Loans & Receivables	1,176	1,176
10,437	10,437	Total Cash and Cash Equivalent	18,184	18,184
14,409	14,409	Trade Debtors	10,027	10,027
<b>47,758</b>	<b>47,758</b>	<b>Total</b>	<b>54,732</b>	<b>54,732</b>

### Covid-19 Implications on Fair Value

The Code establishes that when measuring fair value an authority is required to take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the 31 March 2021. This importantly establishes two issues:

- that the fair value measurement is at the measurement date (and not a future date) and
- that the measurement must reflect the market participant's views and assumptions about the pricing of an asset or a liability at that date.

Fair value measurements for financial instruments and investment properties held by local authorities will need to be reviewed against the conditions and assumptions at the measurement date. This will be difficult because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs.

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

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

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

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

#### Credit risk

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

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

The 2020/21 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays) and the CCLA money market fund.

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amount deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £100m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.

- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.
- The long term debt as at 31 March 2021 includes £20.4m relating to the outstanding balance on a loan granted to ECS Peterborough 1 LLP (ECSP1). This value has been calculated by Deloitte at £20.4m, who express no opinion on the suitability of the discount rate selected by the Council using the same underlying financial model as that used for assessing the Fair Value of ECSP1. The loan to ECSP1 falls within the definition of Capital Expenditure under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 section 25. The requirement under this regulation necessitates the loan be classed as capital expenditure for the purposes of its accounting treatment. As part of the Council's Minimum Revenue Provision policy, which forms part of the yearly approval of the Medium-Term Financial Strategy by Council.,
- The Council has a Facility Agreement with Propiteer Hotels Ltd (Transfer from Fletton Quays Hotel Ltd) of £15m to provide funding for the construction of a Hotel at Fletton Quays, East Station Road. The drawdown against the Facility Agreement would attract an interest of 5.13% per annum to be paid on maturity which has been agreed for a term of 24 months from the first drawdown. The total drawdown including interest is £3.1m.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Council had a total of £18.1m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2021. The full amount is potentially exposed to credit risk, although as the DMO is within the scope of HM Treasury it is less of a risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2021. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment is 87.0p to 87.1p whilst the Heritable Bank (HB) recovery rate is expected to be 99.33p to 100p in the £. The total dividends received as at 31 March 2021 are £1.9m for KSF and £1.0m for HB (2019/20 £1.9m, £1.0m). Further dividends are expected in 2021/22.

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

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. The Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts.

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

2019/20	Age of Trade Debt	2020/21
£000		£000
8,887	Less than three months	6,338
436	Three to six months	247
1,023	Six months to one year	1,068
4,063	More than one year	2,038
<b>14,409</b>	<b>Total</b>	<b>9,691</b>

### Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

2019/20	Maturity analysis of financial liabilities	2020/21
£000		£000
(110,608)	Less than one year *	(106,458)
(10,902)	Between one and two years	(13,424)
(30,280)	Between two and five years	(23,703)
(378,212)	Between five and fifty years	(376,579)
<b>(530,002)</b>	<b>Total</b>	<b>(520,164)</b>

\* Less than one year includes £17.5m of LOBO's

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

## Market risk

### Interest rate risk

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

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

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

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

- the borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty

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

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

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 27 by £86.0m, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

### Price Risk

The Council has taken shareholdings in its subsidiary companies Peterborough Ltd and Blue Sky Peterborough Ltd and in its Joint Venture companies Medesham Ltd, Empower Peterborough

Community Interest Company and NPS Peterborough Ltd. It also received £1.9m shares in its associated company Peterborough HE Property Company Ltd in consideration for land transferred in December 2020. This company was established to develop and then lease the campus for the new university being developed in Peterborough. For further details see Note 13.

The Council is not exposed to price risk through these holdings as the majority are token holdings, and those held in Peterborough HE Property Company are not held for investment purposes, but were received in consideration for the Council's contribution of land to the company. Any sale of the company shares must be first offered at fair value to the other members of the company in the order prescribed in the Articles of Association.

### Foreign Exchange Risk

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

## 31 Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

31 March 2020	Inventories	31 March 2021
£000		£000
397	Westcombe Industries Stock	360
64	Other Stock Balances*	106
<b>461</b>	<b>Total</b>	<b>466</b>

\*Includes Stock transferred from the closure of Vivacity

## 32 Creditors

Amounts owed by the Council for goods and services received prior to the year-end are as follows.

31 March 2020	Creditors	31 March 2021
£000		£000
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(2,836)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	COVID-19 Grants	(11,012)
(13,395)	Deposits / Receipts in Advance	(19,082)
(2,916)	Accrual Accumulated Absences (Note 15)	(3,496)
(1,260)	Short Term Finance Lease Liabilities (Note 27)	(1,192)
(37,053)	General Creditors	(44,818)
<b>(69,163)</b>	<b>Total Creditors</b>	<b>(110,968)</b>

During 2020/21, the Council received approximately £44.7m in Section 31 (S31) grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This shows a significant increase in available reserves which are earmarked to fund the 2021/22 Collection Fund deficit. Note 15 page 44.



### 33 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows. Further details about the impact of C-19 on debtor balances can be found in Note 43.

31 March 2020 £000	<b>Debtors</b> (Each item is net of impairment)	31 March 2021 £000
9,623	Cambridgeshire & Peterborough CCG	3,111
2,674	Cambridgeshire & Peterborough Combined Authority	1,302
2,967	Capital Funding Contributions	1,208
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NNDR Arrears	8,973
1,012	Other NHS Organisations	284
7,956	Payments in Advance	6,503
2,529	Commercial Property Rent Arrears	44
14,099	General Debtors	22,490
<b>60,039</b>	<b>Total Debtors</b>	<b>88,531</b>

The debtors balance with Central Government Departments of £32.9m includes £17.3m in relation to the governments share of the business rates deficit on the Collection Fund.

### 34 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred, where a cash outflow is probable and a reliable estimate can be made. Provisions are set aside in the accounts and charged to individual services. Estimated amounts outstanding at the year-end are as follows

Provision Description	31 March 2020	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2021
	£000	£000	£000	£000	£000	£000
<b>Short Term Provisions</b>						
<u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain.	(1,304)	-	-	-	111	(1,193)
<u>Voluntary Redundancy Provision</u> – redundancy related payments, regarding decisions made in 2019/20 with the remaining being paid in 2021/22	(1,028)	(4)	813	149	-	(70)
<u>CAY Pensions Costs</u> – Pre 1980 Pension Contributions obligation for 2019/20 paid in 2020/21	(560)	-	560	-	-	-
<u>Disputed Invoices</u> – payments in dispute with the Cambridgeshire and Peterborough CCG	-	(640)	-	-	-	(640)
<u>Non Domestic Rate Appeals Provision</u> – this reflects the value of Rateable Value (RV) appeals submitted by businesses to the Valuation Office Agency (VOA) to seek a retrospective or/and future reduction in their NNDR bills.	(7,282)	(2,124)	1,772	92	-	(7,542)
<b>Total Short Term Provisions</b>	<b>(10,174)</b>	<b>(2,768)</b>	<b>3,145</b>	<b>241</b>	<b>111</b>	<b>(9,445)</b>
<b>Long Term Provisions</b>						
<u>Insurance Claims</u> – see above comments	(356)	(144)	155	-	(111)	(456)
<b>Total Short and Long Term Provisions</b>	<b>(10,530)</b>	<b>(2,912)</b>	<b>3,300</b>	<b>241</b>	<b>-</b>	<b>(9,901)</b>

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### 35 Capital Grants Receipts In Advance

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

31 March 2020	Capital Grants Receipts in Advance	31 March 2021
£000		£000
(1,334)	Department of Education	(1,068)
(419)	Department for Transport	-
(2,222)	Cambridgeshire & Peterborough Combined Authority	(1,834)
(545)	Homes and Communities Agency (HCA)	(545)
(181)	Disabled Facilities Grant	(1,033)
	Department for Communities and Local Government	(795)
(19)	Other Third Party Contributions	(179)
(203)	Community Infrastructure Levy (CIL)	(553)
(14,715)	Section 106 Contributions	(15,613)
<u>(21,620)</u>	<b>Total Capital Grants Receipts in Advance</b>	<b>(21,620)</b>

### 36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20* Restated	Cash Flow Statement – Operating Activities	2020/21
£000		£000
(1,506)	Interest Received	(1,558)
18,548	Interest Paid	18,187

*\*restated to adjust the classification of cash inflows and outflows from the granting and redemption of loans*

### 37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20 £000	Cash Flow Statement – Investing Activities	2020/21 £000
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,116
19,756	Other Payments for Investing Activities	6,344
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
<u>60,536</u>	<b>Net cash flows from investing activities</b>	<b>38,722</b>

### 38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2019/20 £000	Cash Flow Statement – Financing Activities	2020/21 £000
(37,500)	Cash Receipts of Short & Long Term Borrowing	8,000
18,739	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,267
(1,632)	Other Payments for Financing Activities	5,857
<u>(20,393)</u>	<b>Net cash flows from financing activities</b>	<b>15,124</b>

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

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

2019/20	Cash Flow Statement – Cash and Cash Equivalents	2020/21
£000		£000
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
699	Bank Current Accounts	21
<b>10,437</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>18,184</b>

### 40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2021 was £17,106 (£16,716 at 31 March 2020). 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 £17,677 at 31 March 2021 (£17,633 at 31 March 2020) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 277 adults and older people (252 at 31 March 2020). The total client funds at 31 March 2021 was £3.3m (£2.7m at 31 March 2020).

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

Culture Peterborough Ltd in 2020 from Vivacity. However the Council remains sole Trustee, see Note 12.

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

### 41 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible material obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are identified as follows:

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. 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.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example land transferred to the Council which the Homes and Communities Agency (formerly known as the Housing Corporation) has an interest in.
- The Council has experienced a high volume of National Non Domestic Rates (NNDR) Material Change in Circumstance (MCC) appeals during 2020/21. This is a result of businesses appealing to the Valuation Office Agency (VOA) for a reduction in their Rateable Value, due to the impact C-19 has had on the operational capabilities to their business. This

increase in MCC appeals has impacted local authorities nationally, and in March 2021 the Government announced it would legislate 'to rule out Covid-19 related MCC appeals'. Instead it is to provide a £1.5bn discretionary scheme, to support businesses. At the time of publication the legislation has not passed, the discretionary scheme has not been confirmed, and the appeals remain on the VOA system. Until such a time when the legislation is passed the Council is exposed to a potential financial liability arising from these appeals.

- Under a 1987 Bond Issue North Housing Association Ltd (now Home Group) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m as at September 2020.

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

The standards which have been introduced by the 2020/21 Code and will be effective from 1 April 2021 are as follows:

- Amendments to IFRS 3 Business Combinations. This amendment clarifies the measurement of the fair value of joint operations when they become controlled. It will not have any impact on the financial statements as the Council

did not take control of a joint operation in the financial year 2020/21.

- Amendments to IAS 23 Borrowing Costs. This relates to the specification for calculation for borrowing costs which can be capitalised when a "weighted average" borrowing cost is used. It is not the Council's policy to capitalise borrowing costs, therefore this amendment will have no impact on the financial statements.

#### **43 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, set out from page 88, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further four transferring status during 2020/21. A Department for Education priority remains encourage all remaining maintained schools to convert to Academy status. This is not a legislative requirement and they can remain under local authority control except where Ofsted consider them to be inadequate. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See the following table for analysis of the type of schools in Peterborough and its surrounding area.

Type and number of Schools	Community	Controlled	Aided	Academies	Total
Nursery	1	-	-	-	1
Primary Schools	13	4	5	36	58
Secondary Schools	1	-	1	9	11
All through Schools	-	-	-	3	3
Special Schools	3	-	-	2	5
<b>Total</b>	<b>18</b>	<b>4</b>	<b>6</b>	<b>50</b>	<b>78</b>

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council treats this expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This results in the capital expenditure being shown in the Comprehensive Income and Expenditure Statement in the period in which it is incurred with a corresponding entry made from the Capital Adjustment Account, which is an unusable reserve, so there is no overall impact to the General Fund balance.

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2021 of £0.9m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2021. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an

economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to the governing bodies, the Council has determined that in this case substance should take precedence over form. Therefore the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet.

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 56.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 18, page 54.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Further information on lease arrangements in place can be found in Note 27, pages 59.

- The Council has eleven arrangements which it has considered against the Group Accounting criteria. The Council has not included ten of these arrangements within the Group Accounts Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 12. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS, Peterborough HE Property Company Ltd and Peterborough Ltd can be found in Note 13 and Group Accounts.
- COVID-19 - On the 31 March 2020 there were unprecedented circumstances in place due to the physical and economic impact of COVID-19 within the UK and the rest of the world. Local authorities and their essential workforce have worked hard to protect the most vulnerable within our communities. It is positive that Government has recognised councils' efforts in the response period by providing additional funding, including unringfenced funding totalling £4.6 billion; specific funding to support their work on a range issues; £6 billion in cash flow measures; and a new scheme to compensate for income losses from a proportion of sales, fees and charges

to councils but significant challenges remain. It is vital that the Government addresses in full the financial challenges facing councils as a result of COVID-19. Due to the risk of uncertainty going into the future the accounts have been prepared using the information available to determine the impact of COVID-19. An example of this is the Bad Debt Provision where the Council increased the provision percentages of older debt to account for this unknown risk.

#### **44 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	<p>Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £223k for every year that useful life is reduced, which equates to a 3.28% increase in this year's depreciation charge.</p>
Property, Plant and Equipment	<p>Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.</p>	<p>If an asset is impaired the carrying value of the asset is reduced.</p> <p>It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £290k, which is 0.05% of the Council's total asset base.</p> <p>4.81% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.</p>
Property, Plant and Equipment	<p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in the Statement of Accounting Policies.</p> <p>Operational assets are valued on the basis of Value in Existing Use or on a Depreciated Replacement Cost (DRC) basis for assets which are considered to be of a specialist nature because there is inadequate market evidence of value in existing use for these types of assets.</p> <p>Surplus Assets are valued on the basis of Fair Value (IFRS13).</p> <p>Asset values are reviewed periodically to ensure the value is not materially misstated, with approximately 20% of assets valued as at 31 March 2021. The remaining assets were reviewed to ensure values were materially accurate. Covid-19 continues to affect economies and real estate markets globally. At the valuation date property markets are starting to function again, with transaction</p>	<p>If the assets are not maintained to the expected condition the value and the asset live would be reduced. It is estimated that if a 5% fall in maintenance and repairs on the Council's buildings would reduce the by £14.9m which is 2.87% of the Councils overall asset base.</p>



Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p>	<p>It is estimated that retail accounts for 1.5% and office 0.5% of the Councils total asset base, and as retail assets are part of the Council's Investment Properties and therefore revalued annually, the impact of a change in value is likely to be minimal.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.</p> <p>The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.</p>	<p>The effects on net pension's liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> <li>• a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £91.8m</li> <li>• a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £6.1m</li> <li>• a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £84.0m</li> <li>• a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%</li> </ul>
Arrears	<p>At 31 March 2021 the Council had a balance of £22.5m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 17% or £1.7m was appropriate.</p>	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £169k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £210k would be required.</p>
Business Rates	<p>The Business Rates Retention Scheme was introduced on 1 April 2013, meaning the Council is liable for its proportionate (49%) share of successful business rate appeals.</p>	<p>There are different classes of business, each of which have had historically different success rates of appeal.</p>

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rating valuations from the 2010 list, which applies to bills up to 2016/17. This has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. The second estimate relates to the rating valuations from the 2017 list, which applies to bills from 2017/18 onwards. When the VOA published the 2017 list, they also implemented a new appeals process formally known as 'Check, Challenge, Appeal' (CCA). The implementation of a new process has meant that there has been a period of insufficient data to enable the Council to apply a similar approach to the previous list. Instead the Council's provision has been calculated incorporating a national methodology recommended by MHCLG. Which following further analysis has been amended to reflect a localised position, more applicable to the Council.</p> <p>In recent years as more 2017 list appeals data has become available the Council has reviewed the suitability of the provision in comparison to the CCA's submitted, in addition to cross referencing this to industry experts, Analyse Local advice.</p>	<p>If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount then the provision would need to be increased by £0.4. This equates to an 13% increase in the estimated provision held in the Council's Balance Sheet.</p> <p>If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £1.7m. This equates to a 38% increase in the estimated provision held in the Council's Balance Sheet.</p>

#### 45 Going Concern

##### Basis of Preparation

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or

dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with

the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

### **Material uncertainties associated with continuing the current level of service provision**

Although the Council has the basis to prepare its financial statements as a going concern, given the scale of the Council's financial position and ongoing risks to its future viability, as set out in the Narrative Report on pages 1 - 18 and below, there are material uncertainties on maintaining current levels of service provision in the next 12 months and beyond.

The Council's material uncertainties on service provision are linked to its funding streams, rather than from cashflow shortfalls.

Conditional Exceptional Financial Support (EFS) has been confirmed by Ministry of Housing Communities and Local Government (MHCLG) for 2021/22 in the form of capitalisation direction. Whilst some budget risk remains for the delivery of cost savings and efficiencies, these are mitigated through oversight of scheme delivery by the Rapid Implementation Team (RIT). Budget risk remains from the impact caused through any further lockdown restrictions, though such future events have been mitigated through the national vaccine programme. The risk inherent in the delivery of savings and efficiencies proposals, along with the conditional nature of the capitalisation direction, creates some uncertainty in the going concern period.

There are material uncertainties on the current levels of service provision as set out in Phase Two of the Medium Term Financial Strategy (MTFS) which estimates a budget gap of £26.8m for 2022/23 rising to £28.9m in 2023/24. Without additional funding from Government for the future years there remains a risk that the Council may not be able to set a balanced budget for the 2022/23 financial year. Based on the information available at the time of publishing this document these uncertainties cast doubt over the Council's ability to continue operating the level of services currently provided beyond the next 12 months.

### **Funding and viability - basis for material uncertainty with operating the current level of service provision**

#### ***Impact of Covid-19 on 2020/21 financial year***

As outlined in section 12 of the Narrative Report, the impact of Covid-19 has had substantial implications for the Council's finances. In 2020/21 the Council has incurred additional costs relating to Covid-19, impairment of saving plans and lost income, totalling £30.2m.

The response to the pandemic has required:

- additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Adult Social Care
- additional responsibilities such as Test and Trace, containment outbreak management and establishment of the Coordination Hub to provide additional services to the vulnerable and shielding residents

- income has been lost as a result of the social restrictions on public and business activity put in place since mid-March 2020
- a recognition of the significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates

As at the end of March 2021 Government has provided £54.6m of funding through additional Covid-19 grants during 2020/21, and additional grants for use in 2021/22, see following table.

Un-ringfenced Grants		Ringfenced Grants	
COVID-19 Funding 1	£5.3m	Infection Control	£5.9m
COVID-19 Funding 2	£5.6m	Test & Trace	£1.0m
COVID-19 Funding 3	£2.0m	Emergency Active Travel	£1.0m
COVID-19 Funding 4	£5.7m	Rough Sleeper	£0.5m
COVID-19 Funding 5	£6.3m	Other – various grants	£2.8m
Local Council Tax Support	£1.6m	Leisure	£1.0m
Council Tax Hardship Fund	£1.7m	Winter Grant Scheme	£1.0m
New Burdens	£0.3m	Workforce Capacity Fund	£0.4m
SFC Income Compensation scheme	£3.7m	Adult Social Care Rapid Testing Fund	£0.4m
Tax Income Compensation scheme	£2.3m	Containment Outbreak Management Fund	£6.5m
<b>Total</b>	<b>£34.5m</b>	<b>Total</b>	<b>£20.1m</b>

The un-ringfenced grants are to fund the additional ongoing Covid-19 pressures, with the ringfenced funding for the additional responsibilities being undertaken as part of the national response. Further funding support from Government with regards to the Income Compensation Scheme for Sales, Fees and Charges (SFC), and an alternative provision for

recognising the deficits in the Collection Fund for Council Tax and Business Rate collection have also been provided and are shown in previous table.

Grant funding received in advance of Covid-19 expenditure will be held in reserves, or on the balance sheet as a receipt in advance, and will be used to fund Covid-19 specific expenditure that is incurred in 2021/22.

Throughout 2020/21 the Council has reviewed and reported the financial impact of Covid-19 internally on a weekly basis and reported to Cabinet on a monthly basis. The Council, along with most other local authorities, has submitted 14 monthly Covid-19 financial monitoring returns to MHCLG and will continue to do so into 2021/22.

In June 2020 the Council was reporting a forecast pressure of £14.8m, which exceeded the level of available reserves balances. With expectation of the reserves balances for some months reaching a minimum level or being fully extinguished, and the following close monitoring of the monthly assessments and projections, in the summer of 2020 the Chief Finance Officer (CFO) initiated detailed discussions with the MHCLG to discuss the Council's future financial position.

Following on from these discussions on 1 October 2020 the Council formally wrote to MHCLG as advised through the modified guidance issued by CIPFA, that Councils under budgetary pressure due to Covid-19 have the time and space to explore alternatives to freezing spending when budgets do not balance, as per section 114 of the Local Government Finance Act 1988. Both organisations have worked closely to find alternative solutions for both the 2020/21 and resultant 2021/22 financial years as the Council supports its community through

the pandemic. On the 10 February 2021 government conditionally confirmed that the Council could apply a capitalisation direction of £4.8m in 2020/21 and £20.0m in 2021/22.

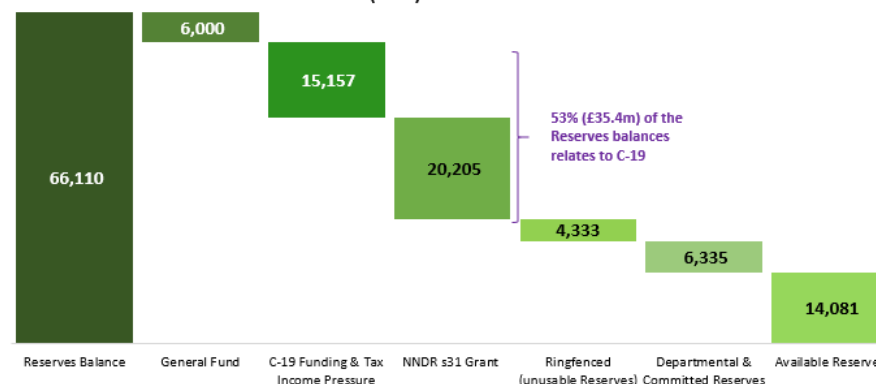
The Councils final outturn position for 2020/21 was an underspend of £4.0m. Although earlier in the year the Council forecast a more financially challenging position, additional government grant funding was awarded throughout the year, and the further lockdown measures resulted in a delay in the expected rise in Children’s and Adults Social Care demand.

The outturn position takes account of the additional Covid-19 expenditure, grant funding and a contribution of £15.2m to Covid-19 funding and tax income reserves. These reserves have been established to mitigate additional longer-term implications for the future year’s budgets and latent service demand expected in 2021/22.

At 31 March 2021 the Council held General Fund and Earmarked Reserves balances of £66.1m, with only £14.1m remaining uncommitted, un-ringfenced and available to use for transformational investment, unforeseen incidents, or future risks. The Council continues to operate with low levels of resilience. This is illustrated in the following chart.

The reserves also include £20.2m in relation to the Business Rates section 31 grants, which will be used in 2021/22 to mitigate the budgetary impact of the Collection Fund deficit. This corresponding Collection Fund position is demonstrated in the following chart.

Reserves Balance Breakdown- 31 March 2021 (£000)



Although the Council’s reserves and current assets appear improved the overall balance sheet position has deteriorated and now encompasses greater level of risk. The following points summarise the key changes:

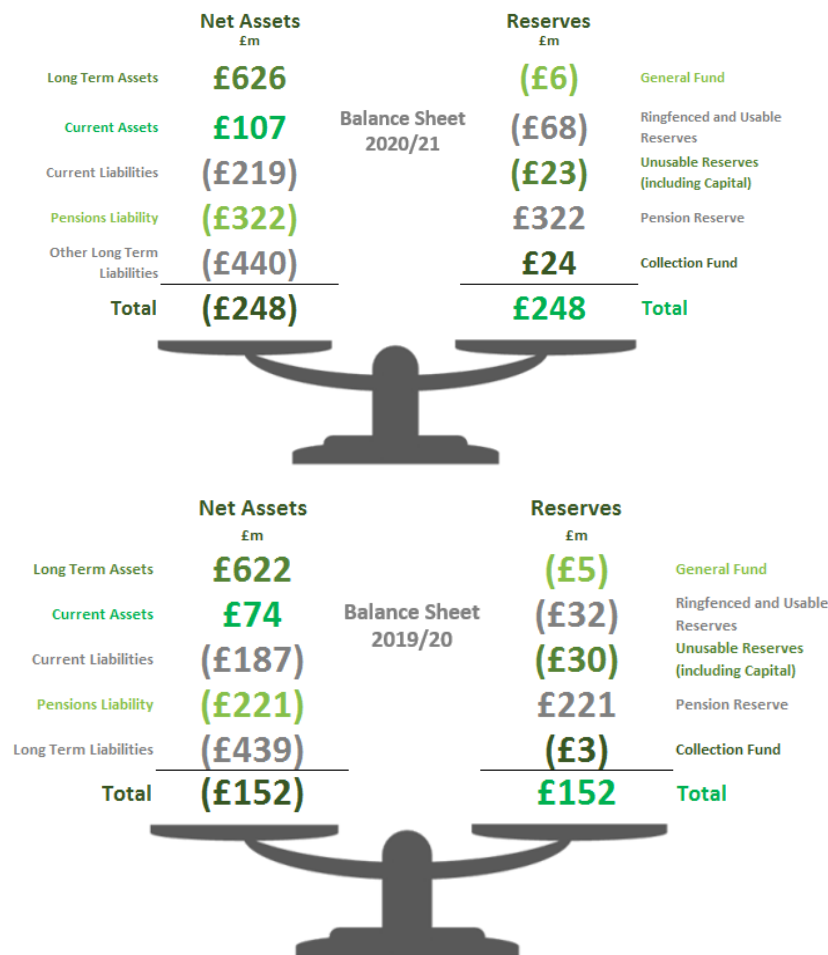
*Current assets increase 46% which reflects:*

- A 74% increase in the value of cash and cash equivalents held, which reflects the additional Covid-19 funding received in advance of use.
- The accounting treatment for the Collection Fund balances in respect of the precepting authorities and central government, increasing the value of short term debtors.
- Increase in the value of outstanding Business Rates, Council Tax and sundry debtors increasing the value of short term debtors.

*Current liabilities increase 18% in which includes:*

- The terms and conditions attached to the additional Covid-19 grant funding, increasing the value of short term creditors.

The following diagrams summarises the change in Councils Balance Sheet position at 31 March 2021, in comparison to 31 March 2020:



### Impact of Covid-19 on 2021/22 and future years

On 3 March 2021, the Council approved a balanced budget for 2021/22 as outlined within the 2021/22-2023/24 MTFS. The MTFS recognises that the impact of Covid-19 has created additional service pressures for the 2021/22 and future financial years. Pressures currently incorporated within the MTFS include:

- Council tax collection fund deficit of £1.2m as a result of people being unable to pay at this time, and an increase in households receiving council tax support.
- Business rates collection fund deficit £2.3m as a result of businesses being unable to pay their rates at this time because of the impact on their operational activities.
- Additional £6.1m to meet the rising demand for Adult Social Care services.
- Additional £2.0m to meet the rising demand for Children’s Social Care services.
- Inability to achieve £5.7m of the savings that the Council expected to in the previous year which creates a pressure in future financial years.

With the use of £2.4m of Capital receipts, £8.9m one-off Covid-19 funding and the £13.7m of EFS, provided by MHCLG, the Council was able to set a balanced budget for 2021/22. However, funding gaps remain in 2022/23 of £26.8m and in 2023/24 of £28.9m with limited recourse to useable reserves. The following table summarises the estimated funding gap over the MTFS.

<b>Phases One &amp; Two MTFS</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget gap from 2020/21 MTFS	14,245	14,808	14,609
Budget pressure & service demand	13,595	16,042	18,562
Non-delivery of savings plans	5,731	5,731	5,731
Collection Fund losses	938	1,247	1,247
Funding changes	(13,676)	(5,050)	(6,433)
Savings & income	(7,099)	(5,985)	(4,806)
Exceptional Financial Support	(13,734)	-	-
<b>Revised Budget Gap</b>	<b>-</b>	<b>26,793</b>	<b>28,910</b>

At the time of setting the MTFS the Council incorporated budget assumptions based on the best information available, however it was noted these estimates contained risks due to the significant uncertainty within the Council operating environment. The Council still remains exposed to uncertainties, which could have a further adverse impact on the budget position. Such uncertainties include:

- Further Increase in demand for council services, signs of this are already apparent within the Councils May 2021 Budgetary Control Report, for example the rising presentations of homeless families and rough sleepers requiring temporary accommodation.
- Market sustainability of key service providers.
- The inability to forecast with any certainty the future profile of recovery for income generators such as car parking.
- Uncertainty with how to profile business rate income given the reducing government support, and associated closures of businesses due to Covid-19 restrictions.
- Uncertainty with the increase to Local Council Tax Support scheme with any future recession.

- Continued uncertainty from the overall impact in funding of the local government sector from central government.
- Unknown financial and demand impact from any future national or local Covid-19 related lockdown, although this risk should now be reduced with the successful progress of the vaccination rollout programme.
- Unknown indirect impacts from any future global recession with no previous experience to base it on.
- Limited resources to implement any recovery or transformational change.

As a result of the Councils Financial position outlined above, and the limited recourse to reserves, the Council has been unable to address its underlying funding shortfall through budget savings alone and has been in detailed discussions with MHCLG throughout the EFS process, of which the support is conditional on working with MHCLG to develop a delivery model that secures financial sustainability.

#### **Impact of Covid-19 on cash flow - borrowings**

<b>As at 31 March:</b>	<b>2020</b>	<b>2021</b>	<b>Estimated 2022</b>	<b>Estimated 2023</b>
Borrowings (Note 28)	£526.1m	£518.4m	£619.4m	£630.9m
Capital Financing Requirement (Note 25)	£588.4m	£598.8m	£682.2m	£694.4m
<b>'Under borrowed' position</b>	<b>£62.3m</b>	<b>£80.4m</b>	<b>£62.8m</b>	<b>£63.5m</b>
Ability to borrow 'in advance of need' limit	£647.5m	£680.8m	£750.2m	£793.7m

The previous table shows the total indebtedness and borrowing limit estimates for the Council up to March 2023. As per legislation, the Council can only borrow to fund capital

expenditure, and for short-term cash flow variations. Therefore, factors which the Council takes into consideration for cash flow projections include:

- the Capital Financing Requirement (CFR) - this a measure of the capital expenditure incurred historically by the Council that has yet to be financed.
- the ability for the Council to borrow for its capital programme 'in advance of need' in order to take advantage of favourable interest rates that might be available now for future capital expenditure. This activity is reflected in the 'Operational Boundary and Authorised Limit' performance measure, with further information about these aspects found in the Treasury Management Strategy, included in the 2021/22 – 2023/24 Medium Term Financial Strategy.

The 'under borrowed' position, or internal borrowing position, shown in the previous table is consistent with the Council's Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet ie reserve cash balances, creditor payment timings, and Collection Fund tax collection. It means that the Council has £80.4m before its actual borrowing amount equals its CFR, as Councils can only borrow to fund capital. This provides the 'headroom' on the amount of borrowing permissible to fund all Council operating activities.

The Council's debt maturity profile facilitates the strategy to take new borrowing as short term in terms of the risk management of maturing debt. Short term debt is preferably taken from Local Authorities as those short-term rates are more competitive than the equivalent Public Works Loan Board (PWLB) rates, and supports the sector as a whole. Should the availability of Local Authority borrowing reduce, then the Council will access

borrowing from the PWLB at a term length relevant to its interest rate, existing maturity profile and the assets being funded.

#### *Impact of Covid-19 on cash flow - investments*

Investment returns remained low during 2020/21 and little increase is expected over the MTFS period. The risk within the economic forecast means that a cautious approach in the Council's treasury operations will be maintained, such that any investments will be made for cash flow purposes only and on a short-term basis eg a grant received in advance of expenditure. Therefore, investment activity is kept to a minimum.

#### *Impact of Covid-19 on cash flow – property, plant & equipment*

There is a material uncertainty over the availability of funding which may cast doubt over the Council's ability to continue to operate at the current level of services, including the planned capital maintenance programme. If non-essential elements are not funded, or if changes in services provided are required, there could be possible impairment of carrying values as at 31 March 2021, which is not reflected in these financial statements.

#### **Material uncertainties conclusion**

The Council has received an offer of exceptional support in the form of an agreement in principle to a capitalisation direction that is conditional on a series of scrutiny actions from MHCLG for 2021/22. As the offer is conditional a material uncertainty remains over the availability of funding for 2021/22. As with all budget's, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks such as the impact caused through any further lockdown restrictions, although with the national vaccine programme this risk has reduced. The capitalisation direction



increases the Council's financial resilience to be able to mitigate such unknown budget risks.

There remains a material uncertainty over the availability of funding for the following years of 2022/23 and 2023/24, which may cast significant doubt over the Council's ability to continue to operate at the current level of services, including the planned capital maintenance programme.

#### **46 Authorisation of the Accounts**

The Director of Corporate Resources authorises these accounts to be issued by the 31 July 2021.

# The Collection Fund and Notes

31 March 2020	Collection Fund Statement	Notes	31 March 2021		Total
£000			Business Rates £000	Council Tax £000	£000
	<b>Income</b>				
(96,774)	Council Tax Receivable		-	(109,333)	(109,333)
(100,310)	Business Rates Receivable	3	(59,079)	-	(59,079)
	<b>Contribution to Previous Year's Deficit:</b>				
506	Peterborough City Council	4	2,342	-	2,342
10	Cambridgeshire & Peterborough Fire Authority		48	-	48
516	Central Government		2,389	-	2,389
(196,052)	<b>Total Income</b>		(54,300)	(109,333)	(163,633)
	<b>Expenditure</b>				
	<b>Precepts:</b>				
78,048	Peterborough City Council	4	-	83,310	83,310
4,071	Cambridgeshire & Peterborough Fire Authority		-	4,260	4,260
12,815	Cambridgeshire Police Authority		-	13,748	13,748
94,934	<b>Total Precepts</b>		-	101,318	101,318
	<b>Business Rates Share:</b>				
45,383	Peterborough City Council	4	47,440	-	47,440
926	Cambridgeshire & Peterborough Fire Authority		968	-	968
46,309	Central Government		48,408	-	48,408
92,618	<b>Total Business Rates Shares</b>		96,816	-	96,816
	<b>Charges to Collection Fund:</b>				
2,737	Increase / (Decrease) in Bad Debt Provision		6,699	1,377	8,076
(293)	Increase / (Decrease) in Provision for Appeals		530	-	530
271	Cost of Collection		269	-	269
1,001	Transitional Payment Protection		1,716	-	1,716
343	Renewable Energy Disregard	4	349	-	349
4,059	<b>Total Charges to Collection Fund</b>		9,563	1,377	10,940
	<b>Contribution to Previous Year's Estimated Surplus:</b>				
201	Peterborough City Council	4	-	663	663
11	Cambridgeshire & Peterborough Fire Authority		-	35	35
31	Cambridgeshire Police Authority		-	109	109
243	<b>Total Contribution to Previous Year's Estimated Surplus</b>		-	807	807
(4,198)	<b>(Surplus) / Deficit Arising During the Year</b>		<b>52,079</b>	<b>(5,831)</b>	<b>46,248</b>
	<b>Collection Fund Balance</b>				
(786)	(Surplus) / Deficit Brought Forward 1 April		(4,360)	(625)	(4,985)
(4,198)	(Surplus) / Deficit Arising During the Year		52,079	1,570	53,649
(4,984)	<b>(Surplus) / Deficit Carried Forward 31 March</b>		<b>47,719</b>	<b>945</b>	<b>48,664</b>
	<b>Allocated to:</b>				
(2,649)	Peterborough City Council		23,382	777	24,159
(71)	Cambridgeshire & Peterborough Fire Authority		477	40	517
(84)	Cambridgeshire Police Authority		-	128	128
(2,180)	Central Government		23,860	-	23,860
(4,984)	<b>Total</b>		<b>47,719</b>	<b>945</b>	<b>48,664</b>

## 1. Collection Fund Overview

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

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

## 2. Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	35,357	23,571
B	7/9	21,853	16,997
C	8/9	14,494	12,884
D	9/9	8,368	8,368
E	11/9	4,521	5,526
F	13/9	1,942	2,805
G	15/9	982	1,637
H	18/9	73	146
Total		87,590	71,934

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc.; and the Council Tax Support Scheme and non-payment which are at the discretion of each council. The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 59,093 (57,555 for 2019/20).

## 3. Non-Domestic Rates

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

For 2020/21 the total non-domestic rateable value at the year-end is £238.0m (£237.6m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

## 4. Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below.

2019/20	Council Precept	NDR	Council Tax	2020/21 Total
£000		£000	£000	£000
(123,431)	Precept / Share	(47,440)	(83,310)	(130,750)
(344)	Estimated Renewable Energy Disregard (RED)	(350)	-	(350)
1	Difference between actual & estimated RED	(1)	-	(1)
(707)	Share of Prior Year Estimated Deficit / (Surplus)	(2,342)	(663)	(3,005)
527	Reverse actual share prior year Deficit / (Surplus)	2,136	514	2,650
(2,649)	Share of Deficit / (Surplus)	23,382	777	24,159
(126,603)	<b>Total (Note 11)</b>	<b>(24,615)</b>	<b>(82,682)</b>	<b>(107,297)</b>

# Statement of Accounting Policies

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## General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices are mainly the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost. However some non-current assets and financial instruments are revalued.

## Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

Supplies are recorded as expenditure when they are consumed. If there is a gap between supplies being received and their use, they are carried as inventories on the Balance Sheet.

Services (including by employees) are recorded as expenditure when the services are received, rather than when payments are made.

Interest on borrowing and investments is accounted for using the effective interest rate of the financial instrument, not contract payments.

A debtor is recorded in the Balance Sheet where revenue has been recognised but cash not received.

A creditor is recorded in the Balance Sheet where expenditure has been recognised but cash not paid.

The balance of debtors is written down and a charge made to revenue for any income that might not be collected.

## Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with financial institutions repayable without penalty on 24 hours' notice or less.

Cash equivalents are highly liquid investments. They mature within three months of acquisition. They are readily convertible to a known cash value. There is an insignificant risk the value on conversion will change.

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made:

- when required by proper accounting practices

- to provide more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change in accounting policies is made, it is applied retrospectively (unless stated otherwise). This is done by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Changes in accounting estimates are accounted for in current and future accounting periods. Changes in accounting estimates do not give rise to a prior period adjustment.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are charged the cost of holding non-current assets: These charges are:

- depreciation
- revaluation and impairment losses (if there are sufficient accumulated gains in the Revaluation Reserve, such losses are written off against these)
- amortisation of intangible assets.

The Council does not raise Council Tax to fund any of these charges.

The Council must however make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

Charges to the General Fund for non-current assets are replaced by the MRP. There is an adjusting transaction with the Capital

Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

### **Council Tax and Business Rates**

The Council is a billing authority and collects business rates (NDR) and council tax.

It collects council tax on behalf of itself and major preceptors. The major preceptors are Cambridgeshire and Peterborough Fire Authority and Cambridgeshire Police and Crime Commissioner.

The Fire Authority and the Government are entitled to shares of business rates income.

The Council must maintain a separate Collection Fund. The Fund accounts for the collection and distribution of amounts due in respect of council tax and business rates.

Under legislation billing authorities, major preceptors and Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than forecast.

### **Accounting for Council Tax and Business Rates**

The Council's share of council tax and business rates income is included in the Comprehensive Income and Expenditure Statement (CIES). However, regulations determine the amount of council tax and business rates that must be included in the Council's General Fund. The difference is recognised in the Collection Fund Adjustment Account and is included as a reconciling item in the MIRS.

The Balance Sheet includes the Council's share of the year-end balances of council tax and business rates. These are arrears,

impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### Termination Benefits

Termination benefits reflect a decision by the Council to terminate an officer's employment before the normal retirement date. They may also reflect an officer's decision to accept voluntary redundancy. Termination benefits are charged in the appropriate service segment in the CIES.

The benefits are recognised when the offer of those benefits is irrevocable or when the Council recognises restructuring costs whichever is the earlier.

Termination benefits may involve the enhancement of pensions. Statutory provisions require the General Fund Balance to be charged with the amount payable to the pension fund or pensioner in the year. This may be different from the amount calculated under accounting standards. In the MIRS appropriations are made to charge the General Fund Balance as required by statute.

### Post-employment Benefits

Employees of the Council may be members of three separate pension schemes:

- The Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council.

- The Teachers' Pension Scheme, it is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.

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

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet. The People and Communities line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The People and Communities and Public Health lines are charged for the NHS scheme.

### The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

Fund liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future retirement benefits earned to date by employees.

The assessment uses assumptions about mortality rates, employee turnover and future earnings of current employees.

Scheme liabilities are discounted to their current value. The discount rate is set by the actuary. It mirrors the yield on high quality corporate bonds.

The fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The net pension's liability is the difference between fund liabilities and assets. The change in the net pension's liability is analysed between service cost and re-measurements.

The service cost element is the change in current and past service costs plus a net interest change.

Pension liabilities increase over the accounting period as scheme members earn increased benefits. This is the current service cost. Current service cost is charged in the CIES to the services for which employees worked.

Past service cost is the increase in liabilities as a result of a scheme amendment or curtailment. The change applies only to benefits earned in previous accounting periods. Past service cost is charged to Resources in the CIES.

Net interest on the net defined benefit liability is calculated by applying the discount rate to the net liability during the accounting period. It is charged below the cost of services in the CIES as part of the deficit in the provision of services.

Re-measurements are the return on plan assets and actuarial gains and losses. Re-measurements are charged below the deficit on the provision of services in the CIES.

The return on plan assets excludes the net interest on liabilities that is already included in the service element.

Actuarial gains and losses are differences from past actuarial assumptions or changes in the assumptions

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

#### **Events after the Balance Sheet Date**

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

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

## Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.

But for three stepped rate loans, the amount charged to revenue is based on the effective interest rate.

Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.

For these loans the difference between the annual charge and the cash paid is reversed out in the MIRS.

Any premium or discount on redemption of loans is added to the amortised value of the replacement loan. Premiums and discounts are written down to the CIES. This is done by adjusting the effective interest rate. Regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the charge over the remaining term of the loan replaced.

The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

## Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

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



When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES 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 CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime

basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

### **Instruments Entered Into Before 1 April 2006**

The Council entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts in the contingent liability note in accordance with the Contingent Liability accounting policies.

### **Government Grants and Contributions**

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

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

This applies whether the grants and contributions are paid on account, by instalments or in arrears. Grants and contributions are held as creditors in the Balance Sheet until conditions have been satisfied.

Grants and contributions are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Once conditions are satisfied, the grant or contribution is credited to the CIES. For attributable revenue grants and contributions this is to the relevant service line. For non ring-fenced revenue grants and all capital grants this is the Taxation and Non-specific Grant Income and Expenditure line.

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

### **Intangible Assets**

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

Internally generated assets are capitalised where:

- It is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available)
- The Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset. Capitalisation is restricted to the development phase. Research expenditure is not capitalised.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can

be determined by reference to an active market. This is the case with the Mayor's car licence plate.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are charged to the relevant service line in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the CIES.

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

### **Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures which require it to prepare group accounts if material. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **Investment Properties**

Investment properties are used solely to earn rentals and capital appreciation. Property is not investment property if:

- used to deliver services
- used to produce goods

- held for sale.

Investment properties are measured initially at cost. They are subsequently carried at fair value. Fair value is the price that would be received selling the asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the CIES and increase the General Fund Balance.

Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the CIES. Statute prevents such gains and losses having an impact on the General Fund Balance. They are transferred out of the General Fund Balance in the MIRS. They are transferred to the Capital Adjustment Account. Sale proceeds greater than £10,000 are transferred to the Capital Receipts Reserve.

### **Leases**

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

Leases may comprise both land and buildings. The land and buildings elements are classified separately.

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

## The Council as Lessee

### *Finance Leases*

Property, plant and equipment is recognised on the Balance Sheet at fair value at the start of the lease. The present value of the minimum lease payments is used if lower.

The asset is matched by a liability to pay the lessor. Initial direct costs of the Council are added to the carrying amount. The lease liability is written down by any premium paid on entry.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. But depreciation is charged over the lease term if:

- the lease term if this is shorter than the asset's estimated useful life, and also
- ownership of the asset does not transfer to the Council at the end of the lease period.

The Council does not raise Council Tax to cover depreciation or revaluation and impairment losses. A prudent contribution is made from revenue funds under statutory requirements.

The difference is accounted for by a transfer from the MIRS to the Capital Adjustment Account.

## *Operating Leases*

Rentals are charged to the relevant service line in the CIES. Charges are spread equally over the life of the lease. The pattern of actual payments under the lease may be different.

## Council as Lessor

### *Finance Leases*

At the start of the lease the carrying amount of the asset is written out of the balance sheet. The write out is charged to the Other Operating Income and Expenditure line in the CIES.

The Council's net investment in the lease is credited to the same line and a long-term debtor asset is created in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease debtor (any premiums received are also used to write down the lease debtor) and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the CIES.

A gain on disposal is credited to the CIES. Statute does not allow the gain to increase the General Fund balance. The gain is required to be treated as a capital receipt.

A premium may be received on the grant of a lease. Any premium is transferred out of the General Fund Balance to the Capital Receipts Reserve in the MIRS.

A finance lease may be settled by the payment of rentals in future financial years. The income is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS.

The capital receipt element of rentals writes down the lease debtor. Deferred capital receipts for the disposal are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under capital financing. Write-offs are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

#### *Operating Leases*

For an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the CIES.

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example if there is a premium paid at the commencement of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset. The costs are charged over the lease term in the same way as rental income.

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

The costs of overheads and support services shown as part of the Directorates that they are managed within in accordance with the Council's arrangements for accountability and financial performance.

#### **Property, Plant and Equipment (PPE)**

Assets that are classified as Property, Plant and Equipment if they:

- have physical substance
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes
- are expected to be used during more than one financial year.

#### Recognition

The acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided:

- it is probable that future economic benefits or service potential will flow to the Council
- the cost of the item can be measured reliably.

Repair and maintenance expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial substance and will not lead to a variation in the cash flows of the Council.)

Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. Any difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the CIES.

If the donation has been made conditionally the gain is held in the Donated Assets Account until conditions are satisfied. Gains credited to the CIES are transferred out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the measurement bases set out below.

Infrastructure is carried at depreciated historical cost. Infrastructure assets include roads, bridges and streetlights. Infrastructure is classed as inalienable assets. Expenditure on infrastructure is only recoverable by continued use of the asset. There is no prospect of sale or alternative use.

Infrastructure in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed. It is not broken down on an asset by asset basis.

Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance. These have been recorded in the Council's fixed asset register on an infrastructure asset type basis rather than by individual asset. Additions and enhancements from projects may relate to a number of infrastructure assets.

The infrastructure balance has been reduced annually by depreciation. This has been calculated using the Council's depreciation policy.

- Community assets and assets under construction are measured at historical cost.

- All other assets are measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use (EUV).

For surplus assets the current value measurement base is fair value. This is estimated at highest and best use from a market participant's perspective

There may be no market-based evidence of current value because of the specialist nature of an asset. If so depreciated replacement cost (DRC) is used as an estimate of current value.

Some non-property assets have short useful lives or low values. Depreciated historical cost basis is used as a proxy for their current value.

#### Revaluation

Assets carried at current value are valued regularly. This ensures their carrying amount is not materially different from their current value at the end of the accounting period. As a minimum revaluation takes place every five years.

Increases in valuations are unrealised gains. They are credited to the Revaluation Reserve.

Gains that reverse a previous loss charged to a service are credited to the surplus or deficit on services in the CIES.

Assets that are demolished will be revalued to Nil unless it is material and revalued in the following year.

#### Decreases in value

The carrying amount is written down against any balance of gains for that asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

The Revaluation Reserve was implemented in April 2007. It only recognises gains since then. Gains before have been consolidated into the Capital Adjustment Account.

### Impairment

If the recoverable amount of an asset is materially different from its carrying value, an impairment loss is recognised.

The value is written down against any gains for the asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

If the loss is later reversed it is credited to the relevant service line(s) in the CIES. The reversal is up to the amount of the original loss. An adjustment is made for depreciation that would have been charged if the loss had not been recognised.

### Disposal and Decommissioning

Assets held for sale or PPE may be sold or decommissioned. The carrying amount in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES. This transfer is part of the gain or loss on disposal. In the case of academy school transfers, the loss on disposal for nil consideration is charged to the Financing and Investment Income and Expenditure line in the CIES.

An additional transfer will be made of the difference between the carrying value and the disposal proceeds. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The balance of receipts remains within the Capital Receipts Reserve. They can then only be:

- used for new capital investment
- set aside to reduce the Council's underlying need to borrow (the capital financing requirement)

Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

### **Depreciation**

Depreciation is provided on all PPE assets. The depreciable amount is systematically allocated over an asset's useful life.

An exception is made for assets without a determinable finite useful life. These include:

- freehold land
- certain Community Assets
- assets that are not yet available for use
- assets under construction.

### **Basis of Depreciation**

**Depreciation** is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a Valuer

- vehicles, plant and equipment – straight-line allocation over the useful life of the asset in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives.

Where a PPE asset has major components whose individual cost is significant compared to total cost the components are depreciated separately.

Revaluation gains are also depreciated. 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 is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements for the Council to receive services. The PFI contractor is responsible for making available the PPE needed to provide the service. The Council is deemed to control the services that are provided under its PFI scheme. Ownership of the PPE will pass to the Council at the end of the contract for no additional charge. The Council therefore carries the assets used under the contract on its Balance Sheet as part of PPE.

The original recognition of these assets was at fair value. Fair value was calculated on the cost of purchasing the PPE. A liability for amounts due to the scheme operator for the capital investment was also recognised.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as PPE owned by the Council.

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

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

#### **Provisions**

Provisions are made:

- where an event has taken place that gives the Council a legal or constructive obligation
- that the obligation probably requires settlement by a transfer of economic benefits or service potential
- a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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



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

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

### **Contingent Liabilities**

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of resources will be required or
- the amount of the obligation cannot be measured reliably.

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

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

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

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements.

Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

PPE assets remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled schools) have not been incorporated into the Council's Balance Sheet.

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

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

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

# Group Accounts

## Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, associates or joint venture, all of which have been considered for consolidation. One of these, Peterborough Limited trading as Aragon Direct Services, is considered to be material to the financial statements. Details of the companies considered for consolidation are shown further down.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Peterborough Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

## Basis of identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories;

- Subsidiaries - where the Council exercises control and gains benefits or has exposures to risks arising from this control. Where material these entities are included in the group
- Associates – where the Council exercises a significant influence and has a participating interest.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group

In accordance with this requirement, the Council has determined its Group Relationships as follows:

Name of Company	Type	Status
Peterborough Ltd	Subsidiary	Consolidated
Blue Sky Peterborough Limited	Subsidiary	Dormant
Opportunity Peterborough Limited	Subsidiary	Not material
Peterborough Investment Partnership LLP	Joint Venture	Not material
Medesham Homes LLP	Joint Venture	Not material
Medesham Limited	Joint Venture	Not material
NPS Peterborough Limited	Joint Venture	Not material
Empower Peterborough Community Interest Company	Joint Venture	Not material
Peterborough HE Property Company Ltd	Associate	Not material
Peterborough Museum & Art Gallery	Sole Trustee	Not material

Details of the bodies which have not been consolidated into the Group Accounts are contained in Note 13 Interest in Companies and Note 12 Related Parties.

**Peterborough Ltd – Trading as Aragon Direct Services (ADS) and from 1 October 2020 also trading as Vivacity.**

The Company is a wholly owned subsidiary of the Council which was incorporated on 31 July 2018. It is a company limited by shares and the share capital, held by the Council, is £1. Peterborough Ltd has been set up as a Teckal company which means that a minimum of 80% of its income will come from the Council.

Within ADS there are currently seven business units within its operations division:

- Recycling and waste - ADS carry out kerbside and communal collections for residual waste, recycling, food waste and garden waste. These are currently collected on alternate weekly collection system, residual waste one week and mixed recyclables the following week with a weekly food waste collection across most of the Council's area. Separately residents can opt into a paid for garden waste collection service, collected the same week as the recycling bin.
- Parks, trees and open spaces - ADS carry out landscaping and grounds maintenance including grass cutting, shrub and planted bed maintenance, hanging baskets, cleaning of litter from planted areas, tree maintenance and planting. This service area covers general grassed areas, sports pitches, as well as formal parks. They also carry out play inspection, maintenance and installation as well as specialist arboriculture services including inspection and works delivery.

- Street Cleaning - ADS carry out cleansing on public land and highways including removal of litter and detritus through manual and mechanical means, litter bin emptying, graffiti removal, street washing and fly tipping removal.
- Property and Professional Services - ADS have a multi-skilled team, who provide a range of services, including reactive and planned maintenance with robust programmes to deliver and capture statutory and routine premises checks, as well as design and construction works. This includes repair and upkeep of electrical, heating, air conditioning, gas, fire and intruder alarms as well as structural repairs and maintenance. The service also provides for the development and delivery of building extensions and new build for the Council across its services.
- Passenger Transport - ADS provide provision of buses and drivers for home to school transport, including Special Educational Needs (SEN) with additional staff to cater for service users specific needs.
- Building Cleansing - ADS provide building cleaning to council properties as well as various commercial locations.
- Fleet Maintenance - ADS maintain a fleet of 138 vehicles, including preventative maintenance inspection regime, reactive repairs and compliance and fleet planning.

On 1 October 2020 Peterborough Ltd took over the management of the Council's leisure facilities and operates those services on behalf of the Council through a Service Level Agreement. The leisure facilities are operated under the Vivacity brand, which was taken over by the Council from Vivacity Trust when the Funding and Management Agreement with the Council was terminated.

Over the next three years ADS will focus on three main areas to move the business forward:

- Expanding its business
- Challenging the status quo and thinking differently
- Building strong foundations;

The summary results of Peterborough Ltd to the year ended 31 March 2021 are shown in the table below.

2019/20 £000	<b>Peterborough Limited</b>	2020/21 £000
	<i>Statement of Financial Position</i>	
2,877	Current Assets	3,390
-	Non-Current Assets	-
(1,599)	Current Liabilities	(2,488)
(1,750)	Non-Current Liabilities	(925)
<u>(472)</u>	<b>Net Assets for the Accounting Period</b>	<b>(23)</b>
	<i>Statement of Comprehensive Loss</i>	
14,349	Revenue	18,844
(13,607)	Cost of Sales	(18,324)
(355)	(Loss)/Profit Before Tax	520
<u>(355)</u>	(Loss)/Profit After Tax	<u>520</u>

## Group Comprehensive Income and Expenditure Statement (CIES)

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

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

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
1,168	(15)	1,153	Business Improvement	741	0	741
2,590	(823)	1,767	Chief Executives	1,876	(561)	1,315
8,711	(901)	7,810	Customer & Digital Services	8,588	(1,802)	6,786
6,816	(2,103)	4,713	Governance	4,960	(779)	4,181
285,347	(184,203)	101,144	People & Communities	276,055	(183,965)	92,090
43,614	(15,306)	28,308	Place & Economy	47,643	(19,755)	27,888
11,289	(11,000)	289	Public Health	12,252	(12,717)	(465)
84,139	(58,650)	25,489	Resources	74,791	(62,386)	12,405
13,424	(1,593)	11,831	Peterborough Limited	18,730	(2,093)	16,637
<b>457,098</b>	<b>(274,594)</b>	<b>182,504</b>	<b>Cost of Services</b>	<b>445,636</b>	<b>(284,058)</b>	<b>161,578</b>
8,750	(1,991)	6,759	Other Operating Income & Expenditure	14,671	(7,449)	7,222
38,819	(6,186)	32,633	Financing & Investment Income & Expenditure	34,034	(6,546)	27,488
2,828	(178,801)	(175,973)	Taxation & Non-Specific Grant Income & Expenditure	2,726	(193,083)	(190,357)
<b>507,495</b>	<b>(461,572)</b>	<b>45,923</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>497,067</b>	<b>(491,136)</b>	<b>5,931</b>
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(4,270)
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			95,408
		(147,043)	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>91,138</b>
		(101,120)	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>97,069</b>

## Group Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the whole Group, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

<b>Movement in Reserves during 2019/20 and 2020/21</b>	<b>Council's Usable Reserves</b>	<b>Subsidiary Usable Reserves</b>	<b>Total Group Usable Reserves</b>	<b>Council's Unusable Reserves</b>	<b>Subsidiary Unusable Reserves</b>	<b>Total Group Unusable Reserves</b>	<b>Total Group Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Balance at 1 April 2019</i>							
<i>Total Comprehensive Income &amp; Expenditure</i>	43,277	355	43,632	(147,571)	-	(147,571)	(103,939)
<i>Adjustments between Group accounts and Council accounts*</i>	(11,522)	11,522	-	-	-	-	-
<i>Total Comprehensive Income &amp; Expenditure</i>	31,755	11,877	43,632	(147,571)	-	(147,571)	(103,939)
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>	(32,658)	-	(32,658)	32,658	-	32,658	-
<i>(Increase) / Decrease in 2019/20</i>	(903)	11,877	10,974	(114,913)	-	(114,913)	(103,939)
<i>Balance at 31 March 2020</i>	(50,159)	11,886	(38,273)	187,353	-	187,353	149,080
<b>Balance at 1 April 2020</b>							
Total Comprehensive Income & Expenditure	5,196	(926)	4,270	94,787	-	94,787	99,057
Adjustments between Group accounts and Council accounts*	(15,468)	15,470	2	-	-	-	2
Net Increase before Transfers	(10,272)	14,544	4,272	94,787	-	94,787	99,059
Adjustments between accounting basis & funding basis under regulations	(40,293)	-	(40,293)	40,293	-	40,293	-
<b>(Increase) / Decrease in 2020/21</b>	(50,565)	14,544	(36,021)	135,080	-	135,080	99,059
<b>Balance at 31 March 2021</b>	<b>(100,724)</b>	<b>26,430</b>	<b>(74,294)</b>	<b>322,433</b>	<b>-</b>	<b>322,433</b>	<b>248,139</b>

\*These adjustments remove income and expenditure between the Council and Peterborough Limited

## Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories.

- The first category of reserve are usable reserves, ie those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020 £000	<b>Balance Sheet</b>	Notes	31 March 2021 £000
567,068	Property, Plant & Equipment		567,415
23,551	Investment Property		25,620
8,405	Intangible Assets		5,971
-	Long Term Investment		1,870
21,159	Long term Debtors		23,726
<b>620,183</b>	<b>Long Term Assets</b>		<b>624,602</b>
3	Short Term Investments		-
683	Inventories	1	703
60,885	Short Term Debtors	2	89,472
11,730	Cash & Cash Equivalents	5	20,370
-	Current Intangible Asset		-
2,015	Assets Held for Sale		-
<b>75,316</b>	<b>Current Assets</b>		<b>110,545</b>
(106,457)	Short Term Borrowing		(98,423)
(70,246)	Short Term Creditors		(113,457)
(10,174)	Provisions		(9,445)
<b>(186,877)</b>	<b>Current Liabilities</b>		<b>(221,325)</b>
(221,488)	Long Term Creditors (Pension Liability)		(321,679)
(356)	Provisions		(456)
(374,587)	Long Term Borrowing		(374,587)
(44,807)	Other Long Term Liabilities		(43,619)
(19,638)	Capital Grants Receipts in Advance		(21,620)
<b>(660,876)</b>	<b>Long Term Liabilities</b>		<b>(761,961)</b>
<b>(152,254)</b>	<b>Net (Liabilities) / Assets</b>		<b>(248,139)</b>
(36,221)	Usable Reserves		(74,294)
188,475	Unusable Reserves		322,433
<b>152,254</b>	<b>Total Reserves</b>		<b>248,139</b>



## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to

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

2019/20 £000	<b>Cash Flow Statement</b>	Notes	2020/21 £000
46,278	Net (Surplus) / Deficit on the Provision of Services		5,196
(77,051)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(72,143)
(4,275)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		4,435
(35,048)	<b>Net Cash Flows from Operating Activities</b>		<b>(62,512)</b>
59,726	Investing Activities	4	38,748
(20,393)	Financing Activities		15,124
4,285	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(8,640)</b>
16,015	Cash & Cash Equivalents at the Beginning of the Reporting Period		11,730
(4,285)	Increase / (Decrease) in Cash and Cash Equivalents		8,640
11,730	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	5	<b>20,370</b>

# Notes to the Accounts

## 1. Group - Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

31 March 2020	Inventories	31 March 2021
£000		£000
397	Westcombe Industries Stock	360
222	Peterborough Limited Stock	237
64	Other Stock Balances	106
<b>683</b>	<b>Total</b>	<b>703</b>

## 2. Group - Debtors

Amounts owed to the Group but not yet received at the year-end are as follows.

31 March 2020	Debtors (Each item is net of impairment)	31 March 2021
£000		£000
9,228	Cambridgeshire & Peterborough CCG	3,111
2,674	Cambridgeshire & Peterborough Combined Authority	1,302
1,284	Capital Funding Contributions	1,208
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NDR Arrears	8,973
1,594	Other NHS Organisations	284
7,956	Payments in Advance	6,503
2,108	Commercial Property Rent Arrears	44
899	Peterborough Limited Debtors	992
15,968	General Debtors	22,438
<b>60,890</b>	<b>Total Debtors</b>	<b>89,471</b>

### 3. Group - Creditors

Amounts owed by the Group for goods and services received prior to the year-end are as follows.

31 March 2020	Creditors	31 March 2021
£000		£000
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(2,836)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	Covid-19 Grants	(11,177)
(13,395)	Deposits / Receipts in Advance	(19,082)
(2,916)	Accrual Accumulated Absences	(3,496)
(1,260)	Short Term Finance Lease Liabilities	(1,192)
(1,546)	Peterborough Limited Creditors	(2,538)
(36,590)	General Creditors	(44,511)
<b>(70,246)</b>	<b>Total Creditors</b>	<b>(113,364)</b>

### 4. Group - Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20	Cash Flow Statement – Investing Activities	2020/21
£000		£000
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,142
18,946	Other Payments for Investing Activities	6,344
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
<b>59,726</b>	<b>Net cash flows from investing activities</b>	<b>38,748</b>

### 5. Group - Cash Flow Statement – Cash and Cash Equivalents

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

2019/20	Cash Flow Statement – Cash and Cash Equivalents	2020/21
£000		£000
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
1,992	Bank Current Accounts	2,207
<b>11,730</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>20,370</b>

### Accounting Policies

The accounting policies of the Group are the same as those applied to the Council's single entity accounts.

## Glossary

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*Accounting Period* - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

*Accruals* - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

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

*Amortisation* – The reduction in the useful economic life of a long term intangible asset. This may arise with the passing of time. It may also arise through obsolescence or technological changes.

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

*Balance Sheet* – This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

*Balances* – The non-earmarked reserves of the Council. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a

shortfall in income. The Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

*Budget* - A statement of a Council's plans for net revenue and capital expenditure.

*Business Rates Retention Scheme* – the name given to the system of funding local authorities through the local government finance settlement. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services. The Government plans to introduce 75% retention by councils in 2019/20.

*Capital Adjustment Account* – This account was created at the end of financial year 2006/07. 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 for the cost of non-current assets used in the provision of their services.

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

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

*Capital Receipt* - Proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to

finance new capital expenditure, repay debt or fund transformational change that lead to future revenue savings.

*Cash Equivalent* – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

*Code of Practice on Local Authority Accounting* – The statutory accounting code published by CIPFA.

*Collection Fund* - A statutory fund in which a Council records transactions for Council Tax and business rates.

*Community Assets* - Assets that the local Council intends to hold in perpetuity. A useful life is not calculated for these assets. They are likely to have restrictions on their disposal. Examples of community assets are parks and open spaces.

*Comprehensive Income and Expenditure Statement or CIES* - Reports the income and expenditure for all the Council's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

*Contingent rent (under a lease)* – Additional rent that is not fixed in the lease terms.

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

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

*Current Liability* - An amount which will become payable or could be called in within the next accounting period.

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

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

*Dedicated Schools Grant (DSG)* – Grant received from Education Funding Agency to fund schools related expenditure.

*Deemed Capital Investment (of a finance lease)* - A calculation of the capital cost of an asset purchased by a finance lease. A minimum revenue provision must be made to redeem the cost.

*Deferred Capital Receipts Reserve* - Holds the gains recognised on the disposal of non-current assets for which cash settlement has not been made.

*Defined Benefit (pension scheme)* – A pension scheme where benefits are determined by years of service and salary earned.

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

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

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

*Effective Interest Rate (EIR)* – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

*Fair Value* – Fair value is used for setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

*Financing Charges* - Annual charges to the Comprehensive Income and Expenditure Statement to cover interest and principal of loans raised for capital expenditure.

*Finance Lease* - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. In a finance lease the present value of the minimum lease payments plus any initial payment is substantially the fair value of the leased asset.

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

*Financial Instrument* – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

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

*General Fund* - The main fund of the Council that meets the cost of most services provided by the Council. The services are paid for from Council Tax, business rates, government grant and other income.

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

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

*Historical Cost* – The nominal or original cost.

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

*Impairment* – Impairment arises 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* - Carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

*Investment Properties* – Properties that are used solely to earn rentals or for capital appreciation.

*Lessee* – The holder or tenant of a lease.

*Lessor* – The person allowing occupation or use of property by a lease.

*Loan Notes* – A form of vendor finance or deferred payment, in which the purchaser acts as a borrower, agreeing to make payments to the holder of the transferable loan note at a specified future date.

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

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

*Minimum Revenue Provision (MRP)* - This is the minimum amount that must be charged to the Council's Comprehensive Income and Expenditure Statement. It must be set aside to repay debt. MRP is charged in line with the life of the asset for which borrowing was undertaken.

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

*Non-current asset* - An asset which has value beyond one financial year.

*Non-distributed costs* – Discretionary retirement benefits and impairment losses on assets held for sale.

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

*NDR Levy Payment* – The Council pays a 6% levy to the government of its share of business rates income that exceeds settlement assumptions.

*NDR Tariff Payment* – at the outset of the business rates retention scheme the Council was calculated as having a higher business rate baseline compared to its baseline funding level, leading to a tariff payment.

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

*Precept* - The amount a local authority that cannot levy a council tax directly on the public requires it to be collected on its behalf. The Council collects precepts on behalf of Cambridgeshire Police and Crime Commissioner, Cambridgeshire and Peterborough Fire and Authority and 25 Parish Councils.

*Projected Unit Method* - A method for calculating pension costs which takes full account of future salary increases. It is the method prescribed in relevant Accounting Standards.

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

*Prudential borrowing* – Borrowing for capital purposes in accordance with the Prudential Code on affordability.

*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 the Council incurs in providing services (as opposed to capital expenditure).

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

*Service cost (for pension liabilities)* – part of the change in pension liabilities over the year.

*Short term employment benefits* – A benefit that will be settled within 12 months of the year-end. The benefits include salaries, sick leave and annual holiday entitlement.

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

*Unusable Reserves* – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.



## Table of Acronyms

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BCF	Better Care Fund	EFS	Exceptional Financial Support
BSP	Blue Sky Peterborough	EIR	Effective Interest Rate
CAA	Capital Adjustment Account	IAS	International Accounting Standard
CCC	Cambridgeshire County Council	LEP	Local Enterprise Partnership
CIES	Comprehensive Income and Expenditure Statement	LGA	Local Government Association
CIC	Community Interest Company	LGPS	Local Government Pension Scheme
CIPFA	Chartered Institute of Public Finance and Accountancy	LLP	Limited Liability Partnership
CMT	Corporate Management Team	MHCLG	Ministry of Housing, Communities and Local Government
CPCA	Cambridgeshire and Peterborough Combined Authority	MIRS	Movement in Reserves Statement
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group	MTFS	Medium Term Financial Strategy
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust	NDR	Non-domestic Rate
CRC	Carbon Reduction Commitment Energy Efficiency Scheme	PFI	Private Finance Initiative
DfE	Department for Education	PIP	Peterborough Investment Partnership
DSG	Dedicated Schools Grant	PPE	Plant Property and Equipment
DMO	Debt Management Office	PWLB	Public Works Loan Board
EFA	Expenditure and Funding Analysis	REFCUS	Revenue Expenditure Funded from Capital under Statute
		RIT	Rapid Implementation Team
		RR	Revaluation Reserve



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# Annual Governance Statement – 2020/21



# Annual Governance Statement

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## Scope of Responsibility

### Summary

Signed:  
Gillian Beasley, Chief Executive

Signed:  
Councillor Leader of the Council

Date:

2021( Date:

2021(

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