

**PETERBOROUGH**



**CITY COUNCIL**

# Statement of Accounts 2009/10

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

The Head of Corporate Services

Peterborough City Council

Manor Drive

Paston Parkway

Peterborough

PE4 7AJ

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

Tel: 01733 384590

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

---

# Peterborough City Council

## Statement of Accounts 2009/10

---

### Contents

	Page
Explanatory Foreword.....	2
Independent Auditors' Report to the Members of Peterborough City Council .	7
Statement of Responsibilities .....	9
Statement of Accounting Policies .....	10
Income and Expenditure Account.....	20
Statement of Movement on General Fund Balance.....	21
Statement of Total Recognised Gains and Losses.....	22
Balance Sheet .....	23
Cash Flow Statement.....	24
Notes to the Core Financial Statements .....	25
The Collection Fund and Notes .....	63
Annual Governance Statement.....	65
Glossary.....	80
Your Statement of Accounts .....	84
Index of Notes to the Core Financial Statements .....	85

# Explanatory Foreword

---

## 1 Background

The Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2003 and The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (SORP 2009).

## 2 The Accounts

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2009/10. The core financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

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

## 3 Prior Year Adjustments

The Council has adopted a new set of accounting policies as required by the 2009 SoRP in relation to Private Finance Initiative (PFI). This has changed the way that the arrangement is shown on the Balance Sheet and the way cost is charged to the Income and Expenditure Account. This change has required a

change to the opening balances brought forward as at 1 April 2009 and requires a change to the 2008/09 comparative figures for all statements.

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

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

#### 4 Revenue Expenditure

The Income and Expenditure Account on page 20 shows the gross revenue expenditure and income together with net expenditure for 2009/10 compared to the net expenditure for 2008/09. The Income and Expenditure Account is analysed by services as laid down in the Best Value Accounting Code of Practice (BVACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

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

The table below compares the budget to the actual net expenditure based upon the Council's organisational structure. Figures in brackets indicate a favourable variance. The Council under spent by £0.36m which was transferred to reserves.

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

The financing of the budget was as follows:

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

### Balances

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

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

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

## 5 Capital Expenditure

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

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

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

## 6 Collection Fund

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

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

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

## 7 Pensions

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

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

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

## 8 External Borrowings & Investments

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

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

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

## **9 Icelandic Banks**

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

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

## **10 Conclusion**

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

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

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

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

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

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

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

John Harrison  
Executive Director Strategic Resources



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

---

Page intentionally left blank for auditor's opinion

Page intentionally left blank for auditor's opinion

# Statement of Responsibilities

---

## The Council's Responsibilities

The Council is required to:

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

## Chairman's Certificate

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

Signed on behalf of Peterborough City Council:

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

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

## The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 10 to 64 present a true and fair view of the financial position of the Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Executive Director Strategic Resources: \_\_\_\_\_

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

# Statement of Accounting Policies

---

## **General Principles**

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

## **Accruals of Income and Expenditure**

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

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

## **Contingent Liabilities**

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

## **Government Grants and Contributions**

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

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

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

## **Financial Liabilities**

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

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

For the three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Statement of the Movement on the General Fund Balance. The SoRP 2009 requires that the Balance Sheet now needs to separate financial liabilities into current and long-term liabilities and to separate individual financial liabilities into their current and non-current elements.

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

## **Financial Assets**

Financial assets are classified into two types:

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

### *Loans and Receivables*

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

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

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

### *Available-for-sale Assets*

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no

fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

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

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

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

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

### **Intangible Fixed Assets**

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

### **Leases**

#### *Finance Leases*

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

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

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

#### *Operating Leases*

Leases that do not meet the definition of finance leases are accounted for as operating leases and these form the majority of the Council's lease arrangements. Rentals

payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

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

#### *Council acting as the Lessor*

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

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

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the Best Value Accounting Code of Practice 2009 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.

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

### **Provisions**

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

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

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

Details are shown in Note 36.

### **Provision for Doubtful Debts**

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

### **Reserves**

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

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



## Retirement Benefits

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

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

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

### *The Local Government Pension Scheme*

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

- The liabilities of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices based on the indicative rate of return on a high quality corporate bond as identified by the actuary.
- The assets of the Cambridgeshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – recognised in the Income and Expenditure Account in Net Operating Expenditure line.
  - gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or

- accrual of benefits of employees – charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Statement of Total Recognised Gains and Losses
- contributions paid to the Cambridgeshire Pension Fund – cash paid as employer's contributions to the pension fund.

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

#### *Discretionary Benefits*

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

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

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

#### **Stock**

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

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

#### **Tangible Fixed Assets**

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

#### *Recognition*

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

### *Measurement*

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

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

Net current replacement cost is assessed as:

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

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

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

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

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

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

### *Impairment*

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

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

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

### *Disposals*

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are recognised in the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing mortgages (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

### *Depreciation*

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

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

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

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

### *Grants and contributions*

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

### *Charges to Revenue for Fixed Assets*

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

- depreciation attributable to the assets used by the relevant service

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

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

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

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

## Income and Expenditure Account

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

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

## Statement of Movement on General Fund Balance

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

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

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

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

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

## Statement of Total Recognised Gains and Losses

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

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



# Balance Sheet

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

# Cash Flow Statement

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

<i>Restated 2008/09</i>		<b>2009/10</b>	
£000	£000	£000	£000
	(21,314)		<b>3,564</b>
		<b>Net Cash (inflow) / outflow from Revenue Activities</b>	
		<b>Returns on Investments and Servicing of Finance</b>	
		Cash Outflows:	
6,143		6,136	
2,980		2,889	
		Cash Inflows:	
(4,065)		(1,933)	
	<u>5,058</u>		<u>7,092</u>
		<b>Capital Activities</b>	
		Cash Outflows:	
40,405		46,522	
16,748		13,330	
		Cash Inflows:	
(7,749)		(2,325)	
(948)		(2,852)	
(1,018)		-	
(33,900)		(44,209)	
	<u>13,538</u>		<u>10,466</u>
	<u>(2,718)</u>		<u><b>21,122</b></u>
		<b>Net Cash (inflow) / outflow before Financing</b>	
		<b>Management of Liquid Resources</b>	
(11,893)		(35,437)	
2,430		13,935	
		<b>Financing</b>	
		Cash Outflows:	
13,885		-	
1,641		1,729	
		Cash Inflows:	
(8,757)		-	
	<u>(2,694)</u>		<u><b>(19,773)</b></u>
	<u>(5,412)</u>		<u><b>1,349</b></u>
		<b>Net (Increase) / Decrease in Cash</b>	

# Notes to the Core Financial Statements

---

## 1 Prior Period Adjustment

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

### 1a) Change in accounting policy for Council Tax

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

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

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

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

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

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

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

<b>Prior Period Adjustment</b>	<b>2008/09 Statement of Accounts £000</b>	<b>Prior Period Adj Interest Reclass. £000</b>	<b>Prior Period Adj Collection Fund £000</b>	<b>Prior Period Adj PFI £000</b>	<b>2008/09 Restated £000</b>
<b>Income and Expenditure Account</b>					
Service Expenditure					
Childrens & Education Services	60,925	-	-	(758)	60,167
Other Operating Costs					
Loss/(Gain) on disposal of fixed assets	(2,158)	-	-	(1,304)	(3,462)
Interest Payable and Similar Charges	6,117	-	-	2,979	9,096
Sources of Finance					
Demand on Collection Fund	(56,846)	-	(1,181)	-	58,027
<b>Total Deficit / (Surplus) for the year</b>	<b>51,829</b>	<b>-</b>	<b>(1,181)</b>	<b>917</b>	<b>51,565</b>
<b>Statement of Movement on General Fund Balance</b>					
(Surplus) / Deficit on the Income and Expenditure Account for the year	51,829	-	(1,181)	917	51,565
Net contribution to/from the General Fund Balance for the year	(47,921)	-	1,181	(917)	(47,657)
<b>Statement of Total Recognised Gains and Losses</b>					
Deficit on the Income and Expenditure Account for the year	51,829	-	(1,181)	917	51,565
(Surplus) / Deficit arising from revaluation of fixed assets	(22,580)	-	-	-	(22,580)
Decrease / (Increase) in Collection Fund Balance	(1,181)	-	1,181	-	-
<b>Total recognised (gains)/ losses for the year</b>	<b>53,491</b>	<b>-</b>	<b>-</b>	<b>917</b>	<b>54,408</b>
<b>Balance Sheet</b>					
Tangible Fixed Assets					
Other Land and Buildings	219,571	-	-	85,595	305,166
Vehicles, Plant and Equipment	13,402	-	-	5,192	18,594
Other Long Term Assets					
Long Term Debtors	2,135	-	-	(480)	1,655
PFI Deferred Consideration	29,305	-	-	(29,305)	-
Current Assets					
Debtors	37,366	-	(2,131)	-	35,235
Current Liabilities					
Short Term Borrowing	(18,345)	(933)	-	-	(19,278)
Creditors	(78,289)	-	2,131	-	(76,158)
Long Term Borrowing	(117,939)	933	-	-	(117,006)
PFI Lease Liability	-	-	-	(52,150)	(52,150)
<b>Total Assets Less Liabilities</b>	<b>131,546</b>	<b>-</b>	<b>-</b>	<b>8,852</b>	<b>140,398</b>
Reserves					
Revaluation Reserve	66,378	-	-	21,250	87,628
Capital Adjustment Account	134,311	-	-	(12,398)	121,913
Collection Fund Balance	1,188	-	(1,188)	-	-
Collection Fund Adjustment Account	-	-	1,188	-	1,188
<b>Total Net Worth</b>	<b>131,546</b>	<b>-</b>	<b>-</b>	<b>8,852</b>	<b>140,398</b>

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

## 2 Dedicated Schools Grant (DSG)

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

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

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

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

Schools Budget Funded by Dedicated Schools Grant	Central Budget £000	Individual Schools Budget (ISB) £000	2009/10 £000
Final DSG for 2009/10	-	-	(112,941)
Brought forward from 2008/09	-	-	6
Carry forward to 2010/11 (agreed in advance)	-	-	667
<b>Agreed Budgeted Distribution in 2009/10</b>	<b>(14,697)</b>	<b>(97,571)</b>	<b>(112,268)</b>
Actual central expenditure	14,589	-	14,589
Actual ISB deployed to schools	-	97,571	97,571
Local authority contribution for 2009/10	-	-	-
<b>Carry forward to 2010/11</b>	<b>(108)</b>	<b>-</b>	<b>(108)</b>
<b>Total amount carried forward to 2010/11</b>			<b>(775)</b>

### 3 Pooled Funds and Similar Arrangements

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

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

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

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

### 4 Provision for Bad Debt and Doubtful Debts

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

### 5 Members' Allowances

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



## 6 Audit and Inspection Fees

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

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

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

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

## 7 Trading Operations

Financial results were:

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

In addition to the Market, the Council owns 208 shops, commercial and industrial units throughout the City. Following the introduction of the Best Value regime the requirements to produce accounts under the previous Compulsory Competitive Tendering (CCT) were reviewed. The City Services department remains the trading arm of the Council and the contracts awarded were based upon competitive

tender with the private sector and as such are included in the above table. The figures include a final adjustment for inter departmental work which is necessary to avoid double counting within the Income and Expenditure Account.

## 8 Retirement Benefits Local Government Pension Scheme

### Participation in Pension Schemes

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

### Local Government Pension Scheme

#### Transactions Relating to Retirement Benefits

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

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

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

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



## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

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

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £(60.1m), (2008/09 £40.9m).

### Scheme History

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

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £12.8m.

## Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2009		31 March 2010
	<b>Long-term expected rate of return on assets in the scheme</b>	
7.0%	Equity Investments	7.8%
5.6%	Bonds	5.0%
4.9%	Property	5.8%
4.0%	Cash	4.8%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for Current Pensioners:	
19.6 years	Men	20.8 years
22.5 years	Women	24.1 years
	Longevity at 65 for Future Pensioners:	
20.7 years	Men	22.3 years
23.6 years	Women	25.7 years
	<b>Financial Assumptions</b>	
3.1%	Rate of inflation	3.8%
3.1%	Rate of increase in pensions	3.8%
4.6%	Rate of increase in salaries	5.3%
6.3%	Expected return on assets	7.1%
6.9%	Rate for discounting scheme liabilities	5.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

31 March 2009		Long Term Return	31 March 2010
%		%	%
64	Equity investments	7.8	72
17	Bonds	5.0	15
10	Property	5.8	8
9	Cash	4.8	5
100	<b>Total</b>		<b>100</b>

## History of Experienced Gains and Losses

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

	2005/06	2006/07	2007/08	2008/09	2009/10
	← <i>As Restated</i> →				
	%	%	%	%	%
Differences between expected and actual return on assets	14.08	0.94	(26.75)	(32.33)	19.39
Experience Gains and (Losses)*	(0.07)	0.14	12.98	0.16	(0.36)
* this represents where events have not coincided with the actuarial assumption made for the last valuation – the closer to zero the more accurate the assumptions					

## Teachers Pension Scheme

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

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

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

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

## 9 General Government Grants

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

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

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

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

## 10 Senior Employees' Remuneration

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

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

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

Post Holder	Year	Salary*	Bonuses	Expenses allowance	Compensation for loss of Office	Benefits in kind	Election duties	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) #	Total Remuneration (inc. Pension contributions)
Chief Executive	2009/10	170,175	-	-	-	-	2,000	<b>172,175</b>	19,875	<b>192,050</b>
G Beasley	2008/09	170,175	-	-	-	-	1,500	171,675	18,545	190,220

Post Holder	Year	Salary*	Bonuses	Expenses allowance	Compensation for loss of Office	Benefits in kind	Election duties	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) #	Total Remuneration (inc. Pension contributions)
Executive Director Strategic Resources	2009/10	121,192	-	-	-	231	356	<b>121,779</b>	19,875	<b>141,654</b>
	2008/09	121,192	-	-	-	427	1,157	122,776	18,545	141,321
Executive Director Operations from 25 May 2009	2009/10	91,567	-	-	-	24	286	<b>91,877</b>	15,017	<b>106,894</b>
	2008/09	-	-	-	-	-	-	-	-	-
Executive Director Children Services from August 2008 <sup>a)</sup>	2009/10	138,308	-	-	-	-	-	<b>138,308</b>	22,683	<b>160,991</b>
	2008/09	92,205	-	-	-	-	-	92,205	14,107	106,312
Director Commercial Services	2009/10	91,463	-	1,170	-	1,354	-	<b>93,987</b>	15,000	<b>108,987</b>
	2008/09	91,463	-	1,095	-	1,226	184	93,968	13,994	107,962
Director of Adult Social Services <sup>a)</sup>	2009/10	110,235	-	-	-	223	-	<b>110,458</b>	18,079	<b>128,537</b>
	2008/09	93,048	-	-	-	-	-	93,048	16,699	109,747
Solicitor to the Council	2009/10	90,323	-	-	-	-	356	<b>90,679</b>	14,813	<b>105,492</b>
	2008/09	91,300	-	-	-	23	105	91,428	13,969	105,397

\* Salary includes fees and allowances plus basic arrears

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

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

## 11 Interest in Companies

### **Peterborough Urban Regeneration Company**

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

The Company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this (£250,000 in 2009/10) along with the funding for seconded staff and specific projects (£207,400 in 2009/10) are included within the Council’s Net Cost of Services.

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

The net assets of the Company at 31 March 2010 are £466,300 (31 March 2009 £466,900), and the Company made a net surplus of £500 in 2009/10 (2008/09, surplus of £260,200). As there are no shares in the Company, no dividend is payable to the Council. No balances are owed to or by the Council.

In the event of the Company being wound up, the Council’s liability is limited to £1 and the Council has no rights to any share of its assets. The accounts can be obtained from Opportunity Peterborough, Stuart House, Ground Floor, Zone 5, St John’s Street, Peterborough PE1 5DD.

## 12 Related Party Transactions

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of cash transactions with Government Departments are set out in Note 23 to the Accounts.

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

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise, but these have not been identified separately. One member was the Chairman of the Peterborough Primary Care Trust Board, but resigned after the Board Meeting on 9<sup>th</sup> June 2010, and one member has an interest in a Nursery which the Council funds.

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

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

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

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

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

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

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

Schools with deficit School Balances at the end of the financial year are required to agree an action plan to bring their School budget into balance. During 2009/10,



the number of Schools with deficit balances increased from four to five as summarised below:

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

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

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

## 15 Intangible Fixed Assets

The table below details the movement in intangible assets.

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



## 16 Analysis of Tangible Fixed Assets

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

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

## 17 Valuation Information

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

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

## 18 Depreciation Methodologies

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

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

## 19 Information on Assets Held

Major assets held were:

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

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

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

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

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

## 21 Financing of Capital Items

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

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

## 22 Commitments under Capital Contracts

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

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

## 23 Capital Grants Applied

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

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

## 24 Financial Instruments Balances

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

Restated 31 March 2009			31 March 2010	
£000	£000		£000	£000
Short Term	Long Term		Short Term	Long Term
<b>Borrowing</b>				
-	-	Cash	(16)	-
(7,292)	-	Trade Creditors	(7,204)	-
-	(53,185)	Long Term Liabilities	-	(51,340)
<b>(19,278)</b>	<b>(117,006)</b>	<b>Borrowing</b>	<b>(19,272)</b>	<b>(117,006)</b>
<b>(26,570)</b>	<b>(170,191)</b>	<b>Total Borrowings</b>	<b>(26,492)</b>	<b>(168,346)</b>
<b>Loans and Receivables</b>				
1,333	-	Cash	-	-
7,479	-	Trade Debtors	15,192	-
41,290	7,205	Investments and Debenture	12,904	758
-	1,655	Long Term Debtors	-	1,631
<b>50,102</b>	<b>8,860</b>	<b>Total Investments</b>	<b>28,096</b>	<b>2,389</b>

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

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

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

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

The short term borrowing is analysed as follows:

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

The long term borrowing is analysed as follows:

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

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

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

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

## 25 Financial Instruments Gains and Losses

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

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

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

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

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

- PWLB interest rates for new loans at 31 March 2010 have been used for loans from the PWLB
- The prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable
- No early repayment is recognised
- The Fair Value of trade debtors is taken to be the invoiced or billed amount

The Loans and Receivables value includes trade debtors. The Fair Values calculated are as follows:

Restated 2008/09		2009/10	
Carrying amount	Fair Value	Carrying amount	Fair Value
£000	£000	£000	£000
(196,761)	(198,544)	(194,838)	(193,974)
58,962	58,188	30,485	29,339

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

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



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

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

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

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

### **Credit risk**

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

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

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

- Deposits are made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100 million of the total amount deposited in the highest rated category.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £50 million in total.
- No more than £15 million is held with any one institution, regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to spread risk.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Services Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Sector Treasury Services Ltd.

Whilst the Council was able to invest as per the above criteria, it actually minimised the risk further by only investing with the Debt Management Office and its banking provider.

In 2008/09 the Council had two investments with Icelandic Banks, which went into administration in October 2008. The sum invested £3m has been impaired



taking into account information available at the time in relation to likely recovery of principal. See Note 41 for more details.

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

<b>Deposits with UK banks &amp; building societies (excluding Icelandic Banks)</b>		<b>£000</b>
Amount as at 31 March 2010		12,272
Historical Experience of Default %		-
Historical Experience Adjusted for Market Conditions as at 31 March 2010		-
Estimated Maximum Exposure to Default and Uncollectability Total		-
Estimated Maximum Exposure at 31 March 2010		-

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

Prior to 2008/09 and the experience in relation to the investments in Icelandic Banks, the Council had no experience of default.

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

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

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

The Council does not allow credit for customers, and the £15m debtors balance can be analysed by age as follows:

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

### **Liquidity risk**

As the Council has ready access to borrowings from the Public Works Loans Board and the money market generally, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

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

The maturity analysis of financial liabilities is as follows:

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

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

## **Market risk**

### **Interest rate risk**

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

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

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

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

- The borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty.
- Depending upon economic conditions the Council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high.

- Variable interest rate borrowings should not exceed 25% of total gross borrowing.
- During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden.
- The risk of increasing interest outlay is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provides compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £11.9m but this would have no impact on the Income and Expenditure Account or STRGL.

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

#### Price Risk

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

#### Foreign Exchange Risk

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

## 28 Stock

31 March 2009		31 March 2010
£000	Stock	£000
204	City Services Stores	431
351	Other Stock Balances	124
<b>555</b>	<b>Total</b>	<b>555</b>

## 29 Debtors

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

## 30 Creditors

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

## 31 Undischarged Obligations arising from Long Term Contracts

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

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

### 32 Long Term Liability

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

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

### 33 Private Finance Initiative (PFI) Lease Liability

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

Assets held under PFI

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

Value of Liabilities resulting from PFI

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

Details of payments due to be made under PFI

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

## 34 Leasing Arrangements

### Finance Leases

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

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

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

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

### Operating Leases

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

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

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

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

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

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

### Council as Lessor

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

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

### 35 Grants and Contributions Deferred Account

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

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



### 36 Provisions

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

Class of Provision	Purpose
Social Care Repayment	Following a House of Lords Judgement, services provided under Section 117 of the Mental Health Act were adjudged to be free. The provision represents the liability due to be repaid.
Insurance Claims	This represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain.
Payroll	Redundancy related payments, where the decisions were made during 2009/10 but actual payment not made until 2010/11
Charges from Suppliers in Dispute	These represent two charges from suppliers that are currently in dispute. The amount and timing of these payments are uncertain.
Grant Penalty Payment	Under the terms of a Grant that has been received in full, there is a possibility that the Council may have to repay a proportion under penalty clauses. The amount and timings of the possible payment is uncertain.
Childrens Services	Depending on the results of an investigation the Council may incur an associated cost.

### 37 Revaluation Reserve

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



### 38 Capital Adjustment Account

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

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

### 39 Usable Capital Receipts

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

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

### 40 Deferred Capital Receipts

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

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

#### 41 Financial Instruments Adjustment Account

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

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

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

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

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

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

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

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

## 42 Reserves

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

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

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

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

### 43 Notes Relating to the Cash Flow Statement

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

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

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

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

#### Analysis of Net Debt

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

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

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

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

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

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

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

*Other Government Grants*

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

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

#### **44 Trust Funds**

The Council administers 14 trust funds for the benefit of children in specific schools or in care. The total value invested, as at 31 March 2010 was £105,008 (£96,243 at 31 March 2009). Interest is allocated to the funds at bank base rate.

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

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

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

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

#### **45 Contingent Liabilities**

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party.
- Municipal Mutual Insurance (MMI) - In 1992-93 the Council's insurers, MMI, ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council under this arrangement is £316,000. It is possible that a proportion of this may need to be repaid by the Council if the scheme of arrangement is triggered by insolvency, but the amount cannot be quantified at this stage. The Company still predicts a solvent run off.
- As part of the single status agreement, made between the NJC (National Joint Council) and Councils, the Council has reviewed the pay and grading structure to ensure equal pay for work of equal value. The new structure was implemented on the 1<sup>st</sup> March 2008, backdated to the 1<sup>st</sup> April 2007. Employees have the option to appeal against the initial outcomes of the re-grading process. The majority of these have now been settled but there are a small number of legal claims in process.
- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied.



Reimbursement of grants may be necessary if it is found that the Council has not met the term and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.

**46 Contingent Assets**

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

**47 Authorisation of the Accounts**

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



## The Collection Fund and Notes

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

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

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

## 1 Calculation of Council Tax Base

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

The Band D Equivalent shown above is calculated by applying the relevant factor but is before statutory discounts, exemptions, etc., and any allowance for non-payment which is at the discretion of each Local Authority. The tax base used for Council Tax setting purposes after taking account of these factors was 54,835 (54,231 in 2008/09).

## 2 National Non-Domestic Rates

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

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

The amount due is calculated by reference to the actual charge during the year, which changes on a daily basis. The gross charge is further reduced because of reductions due to successful appeals, voids, interest on refunds and reliefs.

## 3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

## 4 Provision for Doubtful Debts

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

# Annual Governance Statement

---

## Scope of Responsibility

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

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

This statement explains how the Authority endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which requires the Authority to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

## The Purpose of the Governance Framework

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

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

## The Governance Framework

The Council is a complex organisation with an appropriately comprehensive governance framework. The Council works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from six core principles identified in a 2004 publication entitled *The Good Governance Standard for Public Services*. This was produced by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Public Management. The commission utilised work done by, amongst others, Cadbury (2002), Nolan (1995) and CIPFA / SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles state that good governance means:

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

In March 2008, the Authority approved and adopted a Local Code of Corporate Governance, which provided in-depth details of the framework the Authority has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance “*Delivering Good Governance in Local Government*”. The following paragraphs summarise the Authority’s Governance Framework which has been in place for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of this Statement and the Statement of Accounts.

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

### ***Creating and Implementing a Vision***

Good governance means focusing on the purpose of the Authority, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the Authority achieves this:

- The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.
- The Sustainable Community Strategy (SCS) for Peterborough was agreed by the Greater Peterborough Partnership in 2005 and fully refreshed to set out the vision for Peterborough covering 2008 - 2021. It sets out a vision and overall strategy for the future of the city and the surrounding villages and rural areas. It reflects both the agenda for growth and the clear desire to ensure that Peterborough grows the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It recognises that in order to create a bigger and better Peterborough, then the city will have to deal quickly and effectively with the pressing issues of today as well as the plans for tomorrow.
- The SCS vision is to create:

- *A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth;*
  - *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings;*
  - *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*
- There are four priorities for areas of work which are needed in order to achieve the vision and each of these is supported by four high level outcomes that form the basis of the Local Area Agreement. The four priorities are:
    - Creating Opportunities - Tackling Inequalities
    - Creating Strong and Supportive Communities
    - Creating the UK's Environment Capital
    - Delivering Substantial and Truly Sustainable Growth
  - Led by the Authority, the Sustainable Community Strategy is a shared view across partners and the community about what needs to be done to improve the economic, social and environmental wellbeing of the local area. Partner organisations are expected to take account of the Sustainable Community Strategy when they prepare their own organisation's business plan.
  - The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change and consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made cascade through the organisation to inform and amend departmental delivery contracts, service plans and business plans.
  - The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we plan to focus our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. Performance is reported to Cabinet on a quarterly basis and is monitored through various Scrutiny Committees. Performance information is available across the council and partnership through the council's corporate performance management system, Performance Plus, which is used to report against National Indicators to senior management.
  - The Council has a medium term financial plan (MTFP) and capital programme to ensure that resources are aligned to priorities. The budget process incorporate consideration of the allocation of resources to the Corporate Plan aims. The MTFP allows annual strategic review in the context of performance against Corporate Plan aims and sets targets of efficiency improvement to release resources for deployment. Monitoring reports are submitted to the Corporate Management Team, (CMT) and to Cabinet. Issues are referred to other Scrutiny Committees as appropriate. The Council has established "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives.

- Value for money is embedded in the Council's culture, and underpins the strategic priorities. Through reviews by External Audit, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised. The council has an ambitious business transformation programme to take the council forward. Rated "3" under the Comprehensive Area Assessment, the Authority performance has improved over recent years.
- There are two work streams for the transformation programme.
  - Focus on procurement - aiming to deliver ongoing annualised savings. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. These achievements have resulted in the Council being nominated for, and also winning a number of national awards.
  - Driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes; reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. During the year the council entered into an ICT Managed Service contract with Serco. Other councils are visiting Peterborough to learn about some of the best practice generated within the "Manor Drive Initiative" on back office service provision.
- Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintain appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. The Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through the Audit Committee. Changes to the overall risk profile of the council are reported through to members on the Audit Committee periodically.
- When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it.
- The Council has a comprehensive comments, compliments and complaints scheme. This is used to identify areas where service quality is not satisfactory and to take action to improve. As an organisation, the Council is committed to meeting the service needs of a very diverse community, and looks to meet the *"Equality Framework for Local Government"*.

### **Roles and Responsibilities of Members and Officers**

Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions are clear.

- The Council is governed by a constitution which sets out the main control mechanisms. The Council appoints a Cabinet. Made up of the Leader, Deputy Leader and 7 other members, who are responsible for proposing budgets and



policies and taking key decisions in relation to their various portfolios. In addition, the Cabinet have appointed 3 other members to act as Cabinet Advisors on strategic portfolio activities. The governance of Cabinet business is covered by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

- The Council has 6 Scrutiny Committees which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. Although they have no decision making powers, the Committees are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented. These non-executive members also serve on 8 Regulatory Committees which consider a variety of non-executive functions.
- All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. The Council's Constitution contains a Code of Conduct for Councillors, protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.
- Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this way the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.
- The Council ensures that effective management arrangements are in place at the top of the organisation. The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs the Corporate Management Team.
- The Executive Director (Strategic Resources) as the s.151 Officer appointed under the 1972 Local Government Act carries overall responsibility for the financial administration of the Authority. The Executive Director is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.
- The Solicitor to the Council, as Monitoring Officer, carries overall responsibility for legal compliance and the maintenance of high standards of conduct by providing advice and support to Members and Officers.
- Regular CMT meetings are held. In addition, Executive Directors meet their respective Cabinet Members on a regular basis. A Heads of Service Forum supports the work of CMT on a number of issues. In addition, there are a series of officer working groups who meet to deal with a range of specific service as well as cross cutting issues.
- All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the single status agreement

implemented in 2008. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.

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

### ***Standards of Conduct and Behaviour***

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- The Solicitor to the Council, after consultation with the Chief Executive and Executive Director (Resources) can report to Full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The Council has developed and adopted a number of codes and protocols that govern both Member and officer activities defining the standards of behaviour such as:
  - Members Code of Conduct
  - Officers' Code of Conduct
  - Member / Officer Protocol
  - Planning Code of Conduct
  - Member declarations of interest
  - Gifts and hospitality
  - Grievance procedures
- The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:
  - Anti Fraud and Corruption Policy and Fraud Response Plan
  - Confidential Reporting Code (Whistleblowing Policy);
  - Human Resources policies regarding disciplinary of staff involved in such incidents.
- Member and Officer behaviour is governed by separate Codes of Conduct. These include a requirement for declarations of interest to be completed. Conduct of Members is monitored by a Standards Committee, independently chaired, which also investigates allegations of misconduct of Members. The Standards Committee has a defined work programme which it reviews at each meeting which includes planned reviews of relevant codes and protocols within the Constitution.
- The Corporate Complaints procedure enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
- Many services across the organisation abide by, or have achieved various accredited status of excellence, as well as being shortlisted for and winning a number of national awards. These include:
  - The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. A full Council accreditation is planned for September 2010.



- Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards.
- Customer Service excellence award has been retained by Strategic Resources and is due for reaccreditation in July 2010 within Planning Services.
- Strategic Resources achieved a number of successes with the LGS Awards, Government Business Awards, and Municipal Journal Awards. It was the LGC Finance Winner for Efficiency 2009 for Manor Drive and Customer Services and shortlisted for the LGC Main Award for Efficiency and Transformational Government in March 2010. From the Government Business Awards in March 2010 it was winners for Procurement and Waste, and shortlisted for Finance. Finally, it has been nominated through MJ for Waste 2010.
- The Council's financial management is conducted in accordance with the financial rules set out in the Constitution, the Budget Framework, Financial Regulations, Contract Regulations and Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
- Full Council approves a balanced budget before the start of each financial year. This includes a Medium Term Financial Strategy, annual reviewed, under which it plans its finances, target efficiency savings required and potential council tax implications over a three year rolling period. During the year, budget monitoring reports are taken to Management Teams and Members on a regular basis.
- In 2009 / 2010, the Council identified savings totally £6.2m in order to deliver a balanced budget that provided for investment in key customer outcomes and a target for 2010 / 2011 of £6.4m.

### ***Decision Making, Scrutiny and Risk***

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible for all Executive Decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan in so far as they can be anticipated. This is reviewed at each Cabinet Meeting.
- The Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.
- The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. Scrutiny Committees have power to review the decisions of Cabinet and Cabinet Members, through the "call-in" process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.

- The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "CIPFA Code of Practice for Internal Audit in Local Government in UK 2006". Responsibility for Internal Audit rests with the Chief Internal Auditor. Reporting lines are within the Strategic Resources Directorate, with reporting lines to the Head of Corporate Services, Executive Director (Strategic Resources) as well as access to the Chief Executive, Monitoring Officer and members as required.
- The Internal Audit division plans and priorities its work around risk based auditing approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of their work includes monitoring agreed action plans. This ensures compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members (through the Audit Committee), the Chief Executive, Executive Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. During 2009 / 2010, the Council undertook a fundamental review of its risk management approach, culminating in a revised strategy in September 2009.

### ***Developing Capacity and Capability of Members and Officers***

Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the Council achieves this:

- The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises value of well trained and competent people in effective service delivery. In developing Members' skills, the Council has an overall development strategy in place. The Chair and Vice Chair of Standards Committee and the Deputy Monitoring Officers attend the annual Standards Conference.
- Members of the Audit Committee are provided with training specific to its responsibilities before every Committee meeting. The focus is on key governance issues such as risk management and internal control, together with scrutiny arrangements for the accounts. Individual briefings are enhanced by the Audit Committee Handbook.
- The Council also provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations.
- Senior Managers have been through the Vision 2010: Building Managers for the Future programme, the purpose being to provide the necessary tools to support managers in delivering improved services linked explicitly to business outcomes and to enable them to display the expected leadership behaviours. Further acknowledgement of the Council's commitment to ensuring that staff are equipped with the appropriate skills and capabilities to perform comes in the form of the Investors in People accreditation.
- All officers have comprehensive job descriptions and person specifications. The Council has a comprehensive process in place to review performance for all staff. The scheme was recognised as needing review and a new system of

Performance Development Review has been introduced. Where capability issues are identified, appropriate processes are in place to try to resolve these.

### ***Engaging with Local People and Stakeholders***

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views of local people.
- Every year, together with our partners, we carry out many consultation exercises. The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. These have included Citizens Panel; Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people; Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings.
- Consultations are not generic but are undertaken so that they deal with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.
- Our commitment to partnership working is demonstrated in our approach to community leadership. To give local citizens a greater say in local decision making, the Council established 7 Neighbourhood Councils to cover the city and its surrounds. Neighbourhood Councils are open public meetings that are held at a local venue every two or three months. The meetings are an opportunity for residents to find out what is happening in their area and to discuss the big issues and priorities. Residents meet with local ward Members and representatives from the Police, Health and Council. The Neighbourhood Councils are local leadership groups which agree priorities, decide where community grants are to be spent where available, monitor performance and decide upon the vision for the neighbourhood. In addition to neighbourhood councils, ongoing work in the community is also facilitated through the Parish Council Liaison Committee.
- The Corporate Plan, published annually in March / April, gives information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period in the forward looking section. The backward looking section of the plan, published on 30 June annually, outlines information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.
- When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate.

- The Council has identified a number of significant partnerships. These are:
  - Peterborough PCT - an integrated NHS body delivering integrated health and adult social care services. A Section 31 Partnership Agreement between the Council and the PCT delegates delivery of adult social care services to the PCT. The partnership is governed by an Annual Agreement that details performance and financial matters. The PCT produces its own internal assurances about the effectiveness of its internal control environment that are monitored by the Executive Management Team, the Audit Committee (chaired by a Non Executive Director) and the full Board.
  - The Children and Young Peoples Trust - a partnership between the Council and the organisations that have a duty to cooperate under the Children's Act 2004 to deliver integrated and coordinated services to children, young people and their families.
  - Building Schools for the Future programme - a national programme, bringing together investment in new school buildings, leading edge ICT, and significant educational reform.
  - Peterborough Culture and Leisure Trust - partnership set up to secure new and improved facilities. Following agreement in Spring 2010, this is due to commence from May 2010.
  - Opportunity Peterborough - a partnership between the Council, the East of England Development Agency (EEDA), Homes and Communities Agency (HCA) and the Government's Department for Communities and Local Government to drive the sustainable growth of the city. It is also working alongside other partner organisations such as Greater Peterborough Partnership to deliver the city's community strategy and meet Peterborough's objective of becoming the nation's 'environment capital'.

### **Review of Effectiveness**

The Council annual reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors, and also by comments made by the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- There is a well resourced scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
- The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members. Service standards have been agreed with the Monitoring Officer and a report on the number and progress of complaints against members is received at each meeting. It has developed, and continually monitors, its own work programme and reports annually to Council on its previous year's performance. The Monitoring Officer

has consistently met the statutory reporting requirement to Standards for England.

- The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and the annual statement of accounts. Annually, the Internal and External Audit Plans are approved through the committee. The Committee met 7 times during the year receiving regular reports and training on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion of the internal control, risk management and governance arrangements. Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.
- The Corporate Fraud section undertakes fraud investigations and detection work.
- Risk management is handled through a range of mechanisms. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.
- Work undertaken as part of the Strategic Governance Board. Made up of senior officers from across the Council and members, including the Chair of Standards Committee, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
- The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee.
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2010 for the financial year 2008 / 2009, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 8 February 2010. The main conclusions from the Letter are:
  - An unqualified audit opinion on the financial statements;
  - Deadlines for the production and publishing of final accounts by 30 September 2009 were met;
  - An overall underspend of £141,000 was achieved and transferred to reserves;



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

The year end review of the governance arrangements and the control environment included:

- The Chief Internal Auditors' annual opinion on the status of the Council in terms of the governance and overall controls. For 2009/10 he has provided an unqualified opinion.
- Assurance from Executive Directors and their management teams on the key elements of the control framework were in place in their departments. A separate annual evaluation questionnaire is circulated to each department and completed through their departmental teams, allowing for overall ownership within the groups. They were also asked to identify areas where control weaknesses had resulted in significant issues arising. The statement itself has been circulated to all Directors for consideration and is supported by them as an accurate reflection on the governance arrangements in place for the year.
- Assurance from Members. A separate questionnaire was issued to all members to seek their views on the governance arrangements in place to support and develop them and to provide suggestions on how any shortfalls or gaps could be addressed.

### **Significant Governance Issues**

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. Additionally, there are a number of issues which were highlighted in last years Annual Governance Statement which have not progressed sufficiently to be fully excluded from this years statement. For each issue, detailed action plans have been determined, a responsible officer identified and a summary of the key elements are included in the table below. Conversely, there are a number of items which were included in 2008 / 2009 which have been excluded as significant progress has been made in addressing the issues such that they are no longer considered a threat to the control environment. These items are:

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

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

<b>Ongoing Governance Issues Identified in 2008/09</b>			
<b>Issue</b>	<b>Area for Improvement</b>	<b>Progress</b>	<b>Lead Officer</b>
Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	Monthly reports to Corporate and Departmental Management Teams. Ongoing use of Occupational Health to coordinate return to works etc. for officers who have been off for longer periods of time. While there are robust systems in place for managers to follow to monitor, act on and report absences, Internal Audit will undertake a full review of absence management arrangements as part of 2010/11 audit plans.	Head of Human Resources
Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	Quarterly reports are produced and circulated to all departments. Recent changes have been made to various legislation which impacts on recruitment, for example, UK Border Agency Regulations and the Asylum & Immigration Act. Internal Audit will undertake a compliance review to ensure robust processes have been implemented.	Head of Human Resources
Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	ICT Managed Service was established October 2009 with Serco. The Manor Drive Initiative established and being developed further together with investigating DEECATS. There are ongoing developments of partnership arrangements for the Leisure Trust which will be created in May 2010. Effective governance arrangements will be regularly monitored.	Executive Director (Resources)

<b>New Governance Issues 2009/10</b>			
<b>Issue</b>	<b>Source</b>	<b>Area for Improvement</b>	<b>Lead Officer</b>
Grant Claims	Annual Audit Letter: January 2010	The council should review the reasons for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.	Head of Corporate Services
Neighbourhood Councils	Annual Audit Letter: January 2010	Further engagement with local communities is required with regard to determining strategic priorities and financial planning	Head of Neighbourhood Services
Data Quality	Annual Audit Letter: January 2010	The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses	Head of Strategic Improvement and Partnerships
Managing Resources	Annual Audit Letter: January 2010	The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year	Head of Corporate Services



## Certification

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

Our overall assessment is that the Annual Governance Statement is a balance reflection of the governance environment and that an adequate framework exists within Peterborough Authority to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

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

Gillian Beasley, Chief Executive

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

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

Councillor Marco Cereste, Leader of the Council

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

# Glossary

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Your Statement of Accounts

---

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

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

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

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

Thank you.

## Index of Notes to the Core Financial Statements

<b>Note</b>	<b>Description</b>	<b>Page</b>
1	Prior Period Adjustment .....	25
2	Dedicated Schools Grant (DSG).....	27
3	Pooled Funds and Similar Arrangements .....	28
4	Provision for Bad Debt and Doubtful Debts.....	28
5	Members' Allowances .....	28
6	Audit and Inspection Fees.....	29
7	Trading Operations.....	29
8	Retirement Benefits Local Government Pension Scheme .....	30
9	General Government Grants.....	33
10	Senior Employees' Remuneration.....	34
11	Interest in Companies .....	36
12	Related Party Transactions.....	36
13	Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance.....	37
14	Reserves and Balances held by Schools under Delegated Schemes.....	37
15	Intangible Fixed Assets .....	38
16	Analysis of Tangible Fixed Assets .....	39
17	Valuation Information .....	40
18	Depreciation Methodologies .....	40
19	Information on Assets Held .....	41
20	Foundation Schools, Voluntary Aided and Voluntary Controlled Schools.....	42
21	Financing of Capital Items.....	42
22	Commitments under Capital Contracts .....	43
23	Capital Grants Applied .....	43
24	Financial Instruments Balances.....	43
25	Financial Instruments Gains and Losses.....	45
26	Fair Value of Assets and Liabilities Carried at Amortised Cost.....	45
27	Disclosure of Nature and Extent of Risks Arising from Financial Instruments.....	46
28	Stock.....	49
29	Debtors .....	50
30	Creditors .....	50
31	Undischarged Obligations arising from Long Term Contracts.....	50
32	Long Term Liability.....	51
33	Private Finance Initiative (PFI) Lease Liability.....	51
34	Leasing Arrangements .....	52
35	Grants and Contributions Deferred Account.....	53
36	Provisions.....	54
37	Revaluation Reserve.....	54
38	Capital Adjustment Account.....	55
39	Usable Capital Receipts.....	55
40	Deferred Capital Receipts.....	55
41	Financial Instruments Adjustment Account.....	56
42	Reserves .....	57
43	Notes Relating to the Cash Flow Statement.....	59
44	Trust Funds .....	61
45	Contingent Liabilities .....	61
46	Contingent Assets .....	62
47	Authorisation of the Accounts .....	62

