

AUDIT COMMITTEE

MONDAY 23 SEPTEMBER 2013

7.00 PM

Bourges/Viersen Room - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

	Page No
1. Apologies	
2. Declarations of Interest	
<p>At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Solicitor to the Council.</p> <p>Members must also declare if they are subject to their party group whip in relation to any items under consideration.</p>	
3. Minutes of the Previous Meeting	
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3.2 Minutes of the Meeting Held on 24 June 2013	7 - 12
4. Risk Management: Strategic Risks	13 - 28
<p>To receive an update on the strategic risks for the Council</p>	
5. The Invest to Save Scheme	29 - 34
6. Revised Contract Regulations	35 - 80
7. Compliance Team Annual Report 2012 / 2013	81 - 92
<p>To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2013</p>	
8. Regulation of Investigatory Powers Act (2000): Quarterly Report 1	93 - 94
<p>To receive an update of RIPA during the 3 months to 30 June 2013</p>	

- 9. Audit of Statement of Accounts To Those Charged with Governance 95 - 232**
- To receive the final Statement of Accounts for the year ended 31 March 2013 and the annual report to those charged with governance following their scrutiny by External Audit
- 10. Feedback Report 233 - 236**
- 11. Work Programme 2013-2014 237 - 244**



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452233 as soon as possible.

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

Committee Members:

Councillors: D Lamb (Chairman), C Harper (Vice Chairman), N Arculus, M Lee, J Knowles, M Fletcher, S Lane and N Sandford

Substitutes: Councillors: P Kreling, E Murphy and A Miners

Further information about this meeting can be obtained from Karen Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 6 JUNE 2013

Present: Councillors Lamb (Chairman), Harper (Vice Chairman), Arculus, Lane, and Sandford

Officers in

Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Kim Sawyer, Head of Legal Services
Karen S Dunleavy, Governance Officer

The meeting began at 7.15pm to enable enough Members to be present to be quorate.

1. Apologies for Absence

Apologies for absence were received from Councillor Lee.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 27 March 2013

The minutes of the meeting held on date 27 March 2013, were approved as an accurate and true record.

4. Outcome of Standards Complaints under the previous regime (pre July 2012)

The Head of Legal Services introduced a report on the outcome of standards complaints under the previous regime (pre July 2012). Members were advised that the complaints that were outstanding which had taken some time to resolve were due to the awaited appointment of the Independent Person for Audit Committee. Members were also advised that following the appointment of the Independent Person in December 2012, the outstanding complaints were progressed and resolved.

Members were also provided with an update over the recruitment campaign to appoint a Deputy Independent Person for Audit Committee. Members were asked to consider the following options:

- Whether Members wished to put the recruitment of a Deputy on hold for the time being and to be kept under review if the number of complaints increased;
- An advertising campaign could be launched in the external media; or
- Consider recruiting persons who were Independent Members of the former Standards Committee.

The Head of Legal Services responded to questions and comments raised by Members. In summary responses included:

- The Deputy would be entitled to an allowance of £500;
- It was possible to postpone the recruitment exercise for six months and then conduct a review to gauge how many complaints were being dealt with;

- The guidance received from the Government over the complaints raised under the old regime stated that the complaints should still be investigated;
- The old regime was a very convoluted process in that the timescale to hold a hearing was three months; however, it was advisable to deal with any complaint received within a month. The new regime was a much simpler process in that the complaint would be discussed with the Independent Person, allowing it to be dealt with in a timely manner; and
- If the Independent Person was unavailable at any point to deal with a complaint, it was envisaged that the time period would not last for more than a few weeks, such as in holiday periods.

Members commented further on the recruitment exercise for a Deputy Independent Person. In summary the comments included:

- Members were opposed to the appointment of a candidate that had had previous experience with the old regime;
- The costs of advertising outweighed the cost of appointing a Deputy Independent Person;
- Consideration should be given to updating the Deputy Independent Person recruitment advert on the PCC web site and that it should be a rolling campaign until a suitable candidate had been found;
- Consideration should be given to approaching a Dean, Bishop or charitable organisation to enquire whether they would be interested in the position;
- A review should be conducted in six months time to ascertain the number of complaints that had been received.

The Committee:

1. Noted the position in respect of all outstanding complaints prior to the introduction of the new standards regime in July 2012;
2. Noted that no further action was to be taken in respect of three complaints where the investigating officer found no case to answer;
3. Noted that four complaints were referred for informal resolution and the status of those complaints; and
4. Received an update in respect of the appointment of a Deputy Independent Person, and determined the next steps it wished to take in this respect.

5. Feedback Report

The Chief Internal Auditor introduced a report that provided an update on the outcome of actions that had been raised in previous meetings.

Following the action point regarding agenda setting meetings for Members of the Audit Committee, the majority of Members felt that there was no requirement to hold a specific agenda setting meeting, due to the fact that the Work Programme was discussed at each meeting.

The Governance Officer suggested that a reminder of the contents of the Work Programme and agenda items could be emailed to Audit Committee Members prior to the agenda despatch date for the next meeting.

The Committee

Agreed that there was no requirement to hold a separate agenda setting meeting and that an email reminder of the Work Programme, prior to the agenda despatch date for the next meeting would be acceptable.

6. Work Programme 2013/14

The Chief Internal Auditor submitted the latest version of the Work Programme for the Municipal Year 2013/2014 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2013/2014 together with any training needs identified.

A training session was to be arranged prior to the presentation of the Statement of Accounts to Audit Committee on 24 June 2013.

Members were also advised that the Audit Committee Handbook was currently being updated and that it would be distributed to the Committee in due course.

AGREED ACTION:

The Committee noted and approved the 2013/2014 Work Programme.

7.00pm – 7.50pm

Chairman

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 24 JUNE 2013

Present: Councillors Lamb (Chairman), Harper (Vice Chairman), Arculus, Lane, Fletcher and Knowles

Officers in

Attendance: John Harrison, Executive Director Strategic Resources
Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Strategic Finance
Kim Sawyer, Head of Legal Services
Karen S Dunleavy, Governance Officer
Julian Rickett, PricewaterhouseCoopers, PwC
Chris Hughes, PricewaterhouseCoopers, PwC

The Committee agreed to a change in the order of the agenda. Item eight 'Invest to Save' to be discussed directly after item four 'Draft Statement of Accounts'.

1. Apologies for Absence

Apologies for absence were received from Councillor Lee.

2. Declarations of Interest

There were no declarations of interest.

3. Budget monitoring report final outturn 2012/13

The Executive Director Strategic Resources introduced a report on the Budget Monitoring Final Outturn 2012/13. The report provided Audit Committee with the final financial position for both the revenue budget and capital programme for 2012/13. The report also contained performance information on treasury management activities, payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

The Executive Director Strategic Resources advised the Committee that the Council faced a challenging year in reducing the probable deficit of £780k reported to Council in March 2013. There had been a significant reduction in the outturn resulting in an under spend of £135k at the end of the financial year.

Following clarification sought by Members over the Invest to Save scheme budget allocation, the Head of Strategic Finance confirmed that the under spent allocation of the budget was to be carried forward into 2013/14. The Executive Director also advised Members that any projects for 2013/14 would be subject to the requirements of the policy framework processes for the current financial year 12/13.

The Committee:

1. Approved the reserved position for the Council, and noted:
2. The final outturn position of £135k under spend on the Council's revenue budget 2012/13 and that this was an improvement since the probable outturn position;
3. The final outturn position of £111.7m on the Council's capital budget 2012/13;

4. The performance against the prudential indicators; and
5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

4. Draft Statement of Accounts

The Executive Director Strategic Resources introduced a report on the Draft Statement of Account for the year ended 31 March 2012. Members of the Audit Committee were asked to review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by 30 June 2013. The Accounts would then be subject to external audit and a report of their findings would be presented to Audit Committee at the end of September 2013 along with the external audit opinion.

The Executive Director Strategic Resources and the Head of Strategic Finance provided responses to Members comments, concerns and questions. In summary the responses included:

- Value Added Tax (VAT) would automatically be added to invoices raised through the payments system;
- A VAT reclaim return was conducted as a whole for the Council's income and expenditure and would not be detailed by individual departments or services;
- External auditors were commissioned to check whether 20% of the Council's estates value had been reviewed each year;
- The pensions deficit scheme history of £187,284m which had increased to £215,515m, had not included the teachers pensions schemes and only related to the Local Government Pension (LGP) Scheme;
- Pension figures within the report were somewhat artificial and provided a picture of what the bill would be in decades to come. The figure also helped to represent what the Council would need to pay if the bill was received on 31 March 2013; however, the actuary scheme would determine whether extra contributions were required within the fund to meet the pension bill;
- Most Local Authorities (LA) were in a deficit position, which was due to a historical drop in contributions of 88% in the late 1980s;
- The fair value of assets within the LGP scheme had shown an increase in investments; however due to longer life expectancies, the value of liabilities were increasing;
- The pension scheme for Local Authority (LA) workers would need to remain in place whilst public sector employees remained in the national pay bargaining and national superannuation schemes; and
- Former LA employees that had been transferred to a partner provider would remain within the LA pension scheme; however, new employees of the partner provider would not qualify for the LA pension scheme.

The Cabinet Member for Resources commented that poor bond values and the taxation of dividends had impacted on the LGP scheme deficit.

The Committee:

Reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's certification.

The Committee Also Agreed:

That the Head of Strategic Finance would:

- Provide clarification over whether payments made via the salary compromise agreements over £50k should be disclosed within the Statement of Accounts; and
- Confirm when the valuation review for the Council's agricultural estate had been conducted and when the next one was due.

5. Invest to Save

Julian Rickett from PricewaterhouseCoopers (PwC) introduced a report on the external audit findings over the decision making process for the Invest to Save Scheme. The Committee was advised that a scope of work was conducted at a request of the Audit Committee to explore the decision making process and whether it was in line with the Council's Constitution and whether the three schemes within the Invest to Save Scheme funds had been in accordance within the set of principles that were agreed at Full Council on 22 February 2012. The Committee was also informed that after conducting the audit exercise, PwC were not minded to challenge the Council on the allocation of Invest to Save funding to date.

In response to Members comments over the Council's powers to set finances for unspecified projects, the Head of Legal Services advised Members that there were regulations that underpinned the Council's Constitution, which enabled the Council to decide how it would set its budget. In addition, Members were advised that funding for unspecified projects would also be subject to a Cabinet Member Decision Notice to ensure that there was an additional approval process, this would also provide a further level of transparency.

Members of the Audit Committee requested a report from the Head of Legal Services under the Council's Constitution, *Part 2, Article 10 – Management Structure - Functions of the Monitoring Officer, Paragraph 3f – give Members advice on our authority to take decisions and on maladministration, financial irregularities, guiding principles and the Budget and major Policy Framework.*

The Committee:

Agreed that the Head of Legal Services would provide a report to Audit Committee over the Council's authority to allocate an unspecified amount of money to projects such as the Invest to the Save Scheme.

6. Internal Audit: HoIA Opinion 2012 / 2013

The Chief Internal Auditor introduced a report on the performance of Internal Audit during 2012 / 2013 and the areas of work undertaken, together with an opinion on the soundness of the control environments in place to minimise risk to the Council.

The Chief Internal Auditor and Head of Strategic Finance responded to comments, concerns and questions raised by Members. In summary responses included:

- Where there had been limited or no assurance issues highlighted, Internal Audit would rate the issue accordingly and follow up with a further audit checks in three to six months depending on the rating level;

- The Project Governance Audit had not been completed due to the team incurring some unplanned audit activities, however, it was intended to reinstate the audit at a later date within the current year;
- Policies and procedures had been improved for travel and subsistence claims, for example, an uncompleted submission would be returned to the originator's line manager;
- The Council had a dedicated client team that monitored all contractor performance measures, such as for Enterprise Peterborough;
- In the past the Council's City Service cleared refuse from privately owned land, which would have incurred a cost to the tax payer. The current contractor, Enterprise, had utilised a satellite geographic system in order to ensure that the correct Council owned land was identified for cleansing. This amendment to provision had given the impression that some areas of the City, which was once cleansed by City Services, was not being maintained;
- The Petty Cash limit of £1,000 for Children's Services were emergency arrangements, where funding was required within a very short timescale by officers in order to provide items such as clothing for child services cases. The arrangement had been changed to ensure that provision was made through the Council's Cash Office going forward;
- There were over 450 systems within the Council, of which the Audit team would sample check only a few per year, based on the level of risk. Departmental Managers held overall responsibility to oversee the operation of their systems to ensure that they were being operated correctly. Once the Finance team had alerted Internal Audit to the apparent issue of non-payment of VAT for the Westcombe account, an audit investigation had been conducted;
- The issue of Westcombe underpayment of VAT had arisen as a result of a miscoding through the accounts receivables system;
- It was not uncommon for local authority VAT returns to show a difference between VAT payable and VAT being reclaimed from HMRC, as the scale and nature of finance involved within the Council meant that it was a net reclaimer of VAT;
- A report had been produced in 2009 over the waste metal stock levels for Westcombe when it was transferred back to Council operation; and
- Westcombe had operated as an integral part of the Council and the VAT issue could have happened within any other part of the Council.

The Committee:

Received, considered, provided challenge to, and endorsed the Chief Internal Auditor's annual report for the year ended 31 March 2013.

The Committee further agreed:

That the Chief Internal Auditor would produce a report to Audit Committee regarding the current levels of scrap waste stock, held at Westcombe.

It was also agreed that the Cabinet Member for Resources would provide details over which areas had been included within the cleansing contract provided by the Enterprise Contract for the Sainsburys Bretton to Thorpe Wood roundabout area. The information was to detail the differences between what City Services had provided before it was taken over by Enterprise Peterborough.

7. Internal Audit: Review of Effectiveness

The Chief Internal Auditor introduced a report annual review of the effectiveness of internal audit – 2012 / 2013. The reports were in accordance with the requirements of the Accounts and Audit Regulations 2011. The Council conducted an annual review of the system of

internal audit which was to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

The Chief Internal Auditor also advised the Committee that Internal Audit had to demonstrate compliance, or plans to be compliant with the new Public Sector Internal Audit Standards, which had been introduced in April 2013, and effective from March 2014. The Committee was also advised that a quality check and peer review would be conducted with other local councils in order to compare performance and reduce the cost of compliance.

The Committee:

Considered and endorsed the annual review of the effectiveness of Internal Audit 2012 / 2013.

8. Draft Annual Governance Statement

The Chief Internal Auditor introduced a report on the annual closure of accounts process, which was included in the Audit Committee work programme for 2013 / 2014.

Key items highlighted within the report included:

- Scope of the annual governance statement;
- Arrangements for compiling the annual governance statement;
- Executive Directors: Internal Control and Governance Self Assessment;
- Performance Management and Data Quality;
- Risk Management;
- Corporate Governance;
- Framework for the Annual Governance Statement;
- Internal Control and Governance Self Assessment/Assurance Statement; and
- Draft Annual Governance Statement.

The Chief Internal Auditor advised Members that the transfer of Public Health and Public Health functions had been captured as a main governance issue within the Draft Annual Governance Statement.

The Committee:

1. Noted the arrangements for compiling, reporting on and signing the Annual Governance Statement;
2. Reviewed and commented on the Annual Governance Statement including any areas which should be amended; and
3. Agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2013.

9. Feedback Report

The Committee received a report on the outcome of actions that had arisen in previous meetings.

10. Work Programme

The Chief Internal Auditor submitted the latest version of the Work Programme for the Municipal Year 2013/2014 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2013/2014 together any training needs identified.

The Committee:

Noted and approved the 2013/2014 Work Programme.

7.00pm – 8.32pm

Chairman

AUDIT COMMITTEE	AGENDA ITEM NO. 4
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
Contact Officer(s):	Kevin Dawson, Group Manager - Construction, Compliance & Resilience	Tel. 453464

RISK MANAGEMENT AND BUSINESS CONTINUITY

R E C O M M E N D A T I O N S	
FROM : Kevin Dawson, Group Manager – Construction, Compliance & Resilience	Deadline date : N/A
Audit Committee is recommended to:	
1. Consider and note the content of this report	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on risk management and business continuity.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide an update on Risk Management and Business Continuity under its terms of reference 2.2.13 To monitor the effective development and operation of risk management and corporate governance of the Council

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. RISK MANAGEMENT REVIEW

- 4.1 Following an outstanding action from Audit Committee on 13 February 2013 the Corporate Strategic Risk Policy has been reviewed by Corporate Management Team (CMT) on 9 July 2013 and duly signed off.
- 4.2 Work has now commenced on assessing and challenging current Departmental Risk Registers to ensure potential risks are identified and adequately managed. Departmental Risk Registers have now been received from Children’s Services, Legal Services, Operations and Public Health. Meetings have been held with Adult Social Care and Strategic Resources with a view of obtaining updated Risk registers.
- 4.3 CMT has approved the Business Continuity Policy previously considered by this committee on 5 November 2013 together with a new Corporate Business Continuity Plan.
- 4.3 The operational risk assessment process has assisted the review and update of current Business Continuity Plans. It is also providing a useful profile of areas of high risk, which can be escalated to the strategic registers where necessary.

- 4.4 The current risk management and business continuity suite of documents are currently the subject of an independent review by the Council's insurers, Zurich Insurance.
- 4.5 Key on going issues for 2013/14:
- Completion of operational risk profile;
 - Continuation of review and revision of Service and Corporate BC plans;
 - Quarterly review of Strategic (corporate) risk register by CMT;
 - Coordination of Strategic and Departmental risk registers;
 - Regular risk "conversations" within and between services at all levels;
 - Updates on Insite, web and E-Learning;
 - Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans; and
 - Delivering training aimed at ensuring members understand the risk management process and expectations upon officers – a training session on Risk Management is scheduled to be delivered to Audit Committee members on 17 September 2013.

5 ANTICIPATED OUTCOMES

- 5.1 Audit Committee note and comment on the contents of this report.

6 REASONS FOR RECOMMENDATIONS

- 6.1 Risk management is a key component of the Council's Corporate Governance Framework which will take time to review and embed effectively.

7 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 None

8 IMPLICATIONS

- 8.1 The identification of risks and the proper management of those risks will ensure that:
- The Council's environmental policies and ambitions can be met; the Council is able to mitigate against potential financial losses, litigation claims and reputational damage; the Council is able to effectively deliver the strategic priorities.

9 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 9.1 Peterborough City Council Risk Management and Business Continuity Policies 2012/13

10 APPENDICES

- 10.1 Appendix 1 - Risk Management Policy



PETERBOROUGH CITY COUNCIL

RISK MANAGEMENT POLICY

Purpose:

To provide clear evidence of the effective operation of a Risk Management Policy and the organisation's role in implementing the process.

RISK MANAGEMENT POLICY

Document Control

Title:	Peterborough City Council Risk Management Policy			
Synopsis:	This document outlines the effective operation of a Risk Management Policy and the organisation's implementation of the process.			
Status:	Final V2.0			
Date:	July 2013			
Document Owner(s):	Corporate Management Team (CMT)			
Author(s):	Kevin Dawson			
Change Control:	Version ID	Date of Issue	Change Description	Author
	0.1	Oct 2012		Kevin Dawson
	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
	0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
	0.4	10 June 2013	Revisions following discussions with C Exec & Operations director	Kevin Dawson

Version ID	Date of Submission	Submitted to	Approval and Sign Off
1.0	13 November 2012	CMT	Not signed off and further discussions to be held with Chief Executive
2.0	11 June 2013	CMT for approval	09 July 2013 Kevin Dawson

RISK MANAGEMENT POLICY

This document sets out the risk management policy for Peterborough City Council.

Risk Management Vision

Peterborough City Council is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives.

The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

- Better **communication** vertically about key issues, early and often, and horizontally, learning lessons and reducing duplication of effort
- **Consensus** about the main risks in different parts of the organisation
- **Confidence** that the key risks are recognised and are being managed, both by the Council and its partners.
- **Clarity** and focus: directing resources to risks that matter away from risks that don't, and fewer surprises.
- **Taking more risks and exploiting opportunities**, because they are understood and managed.

Risk Management Principles

The Council's approach to risk management is built on the following principles:

- The political leadership and senior management of the Council are **committed** to effective risk management
- Risk management operates within a culture of **transparency** and **openness**; we encourage risks to be raised and escalated as appropriate
- Risk management arrangements are **dynamic**, flexible and responsive to developments
- The process of risk management is simply a means to ensure appropriate action to take opportunities and mitigate risks
- The risk management process must be consistent, clear and straightforward and result in timely information that helps informed decision making
- Risk management is **integrated** with other key business processes such as planning, decision making, performance management and programme management
- Risk management has links to many other management disciplines and we encourage sharing of information and joint working as necessary
- The risk management approach is also beneficial in managing any risks associated with the delivery of opportunities.

RISK MANAGEMENT POLICY

Risk Management Framework

The Council's Risk Management Framework is described below and shown in the diagram in **Appendix A** (Risk Management flowchart). The Process sets out the overall arrangements for the operation of risk management at Peterborough; it therefore encapsulates the risk strategy of the organisation. An action plan will be put in place to ensure that this strategy is delivered, and this will be monitored by Audit Committee.

The Council is working towards greater synergy between Risk Management and Planning and Performance Management arrangements.

The internal audit team provides assurance on the adequacy of Risk Management arrangements to the Audit and Accounts Committee, as shown in Appendix C (attachment required).

The table below sets out the framework and the expectations of its key elements:

Organisational Risk Management Arrangements	
<i>Element</i>	<i>Peterborough's expectation</i>
Cabinet	<ul style="list-style-type: none"> • Considers risk in its planning decisions; • Sets the overall risk appetite for the organisation; • Monitors the performance of management in mitigating strategic risks; • Makes decisions with due regard to risk considerations.
Lead Member for Risk Management	<ul style="list-style-type: none"> • Champions the operation of effective risk management operations at Council.
Scrutiny	<ul style="list-style-type: none"> • Holds Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Management Team (CMT)	<ul style="list-style-type: none"> • Owns and leads the corporate risk management process; • Reviews and challenges the Corporate Risk Register on a quarterly basis; • Receives urgent risk reports as necessary • Individually, arranges for quarterly review of Directorate level risk registers.
Lead Officer for Risk Management	<ul style="list-style-type: none"> • Acts as a champion for risk management within the organisation
Members of Corporate Management Team	<ul style="list-style-type: none"> • Review and challenge their respective risk registers on a quarterly basis and more often if appropriate.
Risk Owners	<ul style="list-style-type: none"> • Accountable for determining and implementing the action required to manage risks and opportunities; • Review and report on effectiveness of actions on a quarterly basis.

RISK MANAGEMENT POLICY

Organisational Risk Management Arrangements	
Element	Peterborough's expectation
Project and Programme Sponsors, Procurement leads. (Business Transformation)	<ul style="list-style-type: none"> • Ensure risk registers are used to record and manage risk at programme and project level; • Ensure risks are escalated into the corporate risk management process as necessary
Managers/Heads of Service	<ul style="list-style-type: none"> • Are alert to risks arising from business as usual and manage and escalate these as necessary.

Risk Management support, guidance, challenge, policy and strategy, co-ordination	
Element	Peterborough's expectation
Resilience Service	<ul style="list-style-type: none"> • Implements the overall risk management strategy and approach, in consultation with key stakeholders; • Works to increase awareness of the importance of risk management; • Supports the risk escalation and reporting process, in particular the Corporate Risk Register; • Maintains an oversight of risk issues across the organisation, reviewing, challenging and identifying trends and advising CMT accordingly.
Audit Committee	<ul style="list-style-type: none"> • Oversees the implementation of the organisation's risk management strategy; • Acts as a communication and challenge mechanism for risk issues across the organisation, reviewing, challenging and identifying trends and advising Executive / Corporate Directorate Management Teams accordingly; • Review and challenge Service and Corporate Directorate risk registers on a rotational basis.
Risk Champions	<ul style="list-style-type: none"> • Co-ordinate and implement the Service / Corporate Directorate risk management strategy in line with the overall organisational approach; • Work to increase awareness of the importance of risk management across their area; • Support the risk escalation and reporting process, in particular, maintain and update the Service and Corporate Directorate Risk Registers; • Monitor and report on any necessary action to implement risk control measures. • Challenge and support managers to ensure the effectiveness of the risk management process in their area.

RISK MANAGEMENT POLICY

Assurance, oversight, policy & strategy approval	
<i>Element</i>	<i>Peterborough's expectation</i>
Audit Committee	<ul style="list-style-type: none">• Oversee the risk management arrangements in place within the organisation• Monitor the effectiveness of risk management processes and culture;• Holds managers to account for risk mitigation work;
Internal Audit	<ul style="list-style-type: none">• Uses intelligence on risk to inform the audit planning approach;• Gives assurance on the effective management of risk to senior managers, the Audit and Accounts Committee and other bodies as necessary.• Examination of corporate risk registers as part of the planning during the audit process

RISK MANAGEMENT POLICY

The Risk Management Process

Risk identification, assessment and recording

At whichever level it is operated, the standard risk management process involves four key stages:

- Identify key risks: use the standard risk register template to record these; use the risk category prompts/service plans to assist the identification of risk;
- Analyse the risk to assess the likelihood of it occurring and the impact should it occur using the standard corporate impact and likelihood criteria (if appropriate these can be modified in discussion with the Business Transformation Team); use the standard risk register to record this;
- Take action to control the risk; contingency plan for risk exposure/occurrence; record details in the standard risk register template.
- Review and report upon progress on a quarterly basis.

Risks can be identified, assessed and included on the appropriate risk register at any time in the year.

Risk registers

The Council adopts a consistent approach to risk registers:

- They are owned and maintained at the following levels:
 - At CMT and Executive Directorate level (each Corporate Managerial Team member therefore having a risk register)
 - For projects and programmes, in line with guidance provided by the Business Transformation Team
 - For significant value contracts above European Union thresholds
 - For any other area identified as necessary as approved by Cabinet, for example, for a financial recovery plan.
- They are held on a universal spreadsheet template (**Appendix C**) using the corporate risk scoring approach.

Escalation of risks

Where it is considered that a risk cannot be effectively mitigated by a risk owner it will be important to escalate this up the risk hierarchy as shown in **Appendix B** (Risk Management Process).

RISK MANAGEMENT POLICY

Risk appetite

The risk appetite is the level of likelihood/impact, whether it is stated financially or otherwise, above which it is judged that a risk requires direct and urgent management action. To determine the risk appetite consider:

- capacity to manage the risk should it occur;
- potential impacts upon service delivery and financial resources;
- capacity to take action to reduce / remove the risk;
- the effect that managing one risk may have on another.

The corporate risk appetite applies to Corporate Management Team level risks and to Strategic Risks. The corporate risk appetite is set by CMT.

Risk review and reporting

Departmental Risk Registers will be reviewed by individual DMT's on a quarterly basis and more often if appropriate. After this review the Risk Group will meet to share updates on the development of risks and of mitigating action. Based on this discussion the Lead Officer will prepare an update report for CMT which will then be used to inform the quarterly review of the Corporate Risk Register. The report will cover:

- Progress of risk management action plans
- Risks managed down to acceptable levels
- Significant emerging risks, their severity/likelihood score and what action is to be taken.
- Project risks impacting on both Strategic and Departmental Risk Registers

The Corporate Risk Register will be updated as necessary by CMT and departmental risk register holders will be advised accordingly.

RISK MANAGEMENT POLICY

Areas for Review and Development

Role of Risk Group	<ul style="list-style-type: none">• Ensure that the team acts successfully to challenge and support risk management and to identify key issues for escalation
Risk Reporting	<ul style="list-style-type: none">• Assessing the opportunities for reviewing Service Plans/VERTO project management system for risk reporting
Standardisation and consistency	<ul style="list-style-type: none">• Ensuring the quality of risk registers included quality of risk description
Ensuring action to mitigate risks	<ul style="list-style-type: none">• Review the management action arrangements
Embedding risk management into key business processes	<ul style="list-style-type: none">• Ensuring risks are considered as part of integrated planning and performance reporting• Ensuring risks relating to decisions are clearly presented
Promote the updated approach	<ul style="list-style-type: none">• Approval by CMT; visits to DMTs; support and advice
Role of Members	<ul style="list-style-type: none">• Offering training aimed at ensuring members understand the risk management process and expectations upon officers

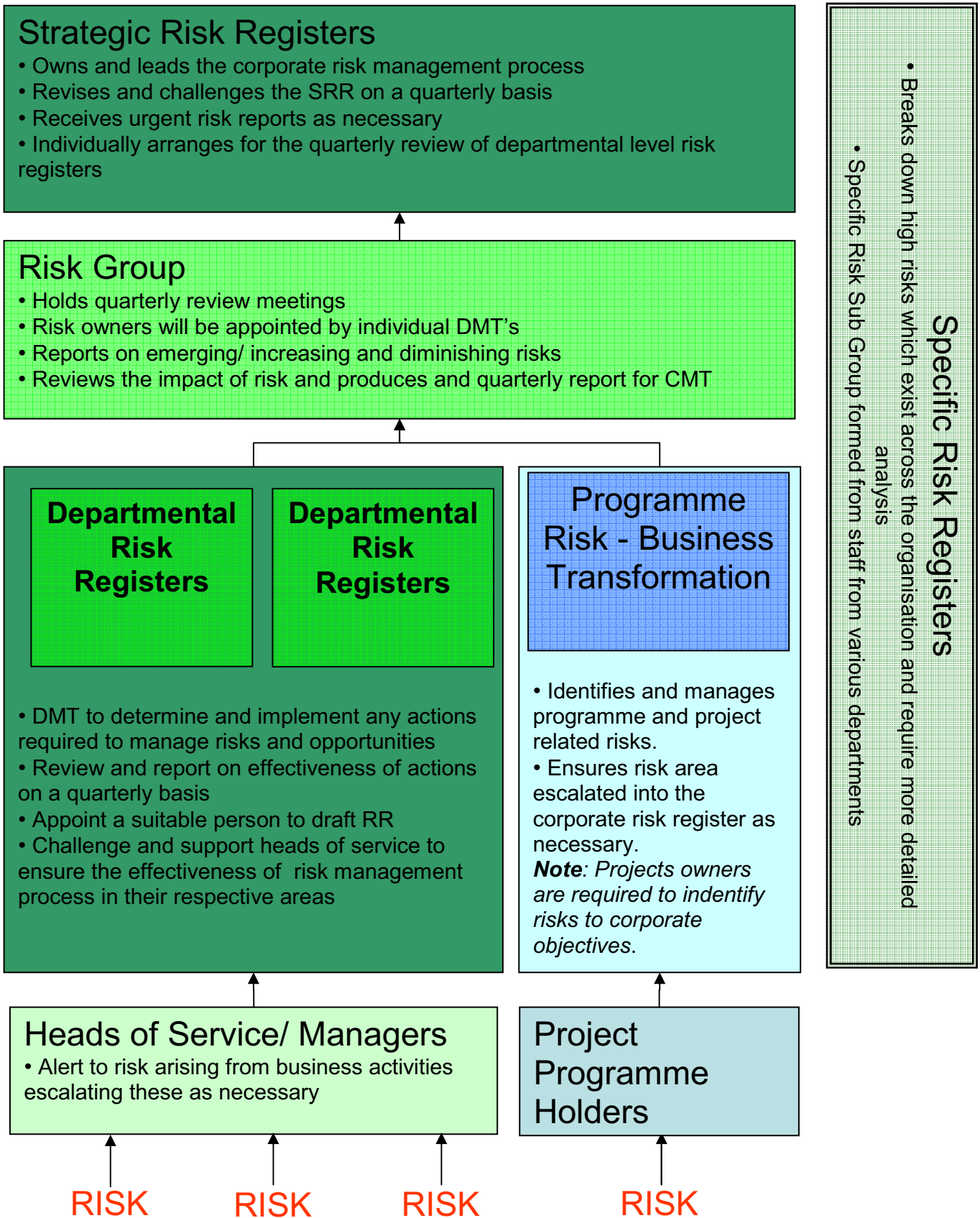
Appendices

Appendix A - Risk Management Framework

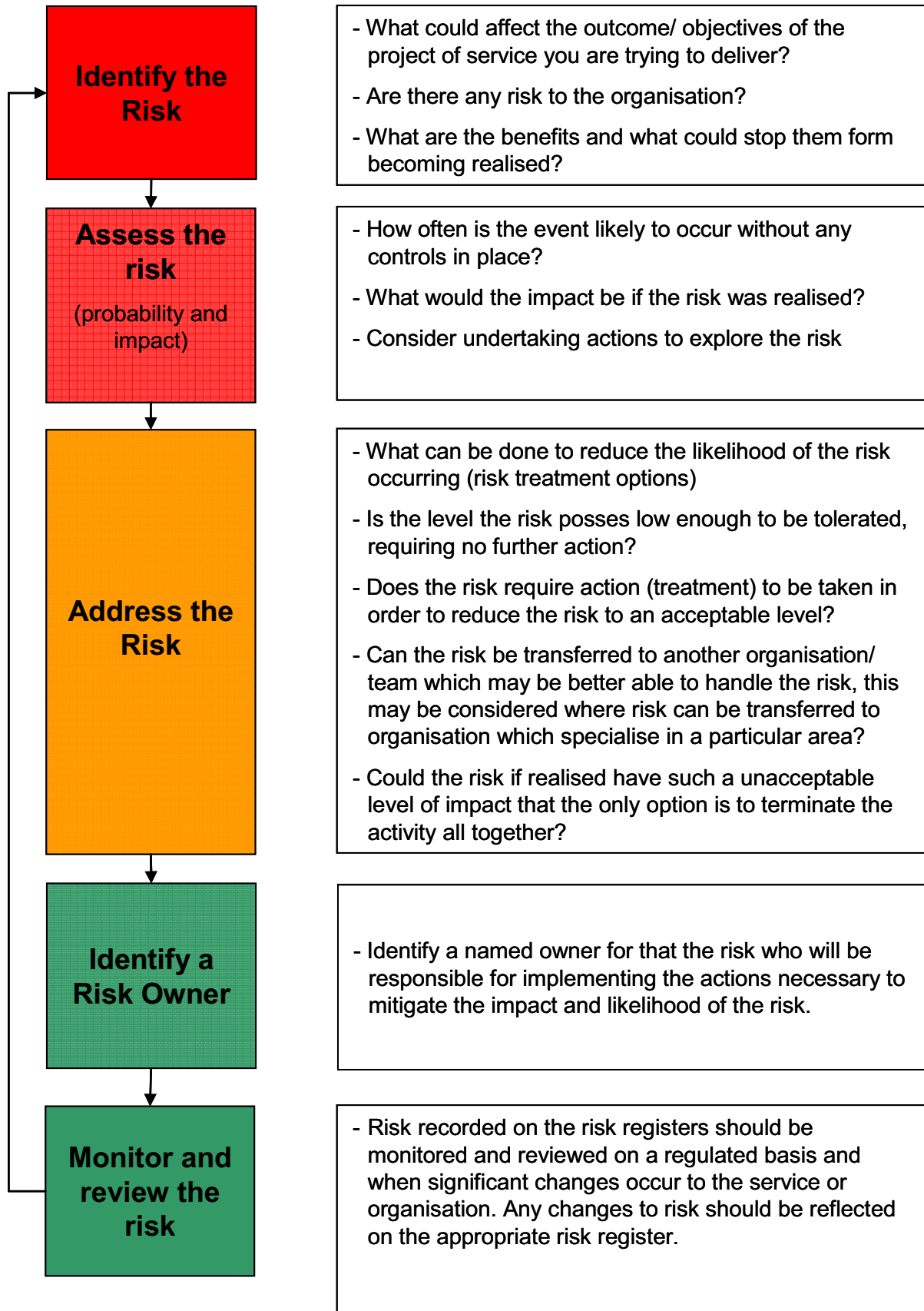
Appendix B - Risk Management Process

Appendix C - Example Risk Register and Risk Matrix

Appendix A: Risk Management Framework



Appendix B: Risk Management Process



RISK MANAGEMENT POLICY

Appendix C: Example Risk Register and Risk Matrix

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous/Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	<i>name of risk</i>	<i>brief description of risk event</i>	<i>threats & opportunities arising</i>	<i>A Env B Com C Grow D Opps</i>	<i>Likelihood 1 (L) - 5 (H)</i>	<i>Impact 1 (L) - 5 (H)</i>		<i>if new risk, score on assumption no controls are in place</i>		<i>change in impact, likelihood, objective etc (ALT return to use bullet points etc)</i>	<i>to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)</i>	<i>further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)</i>	<i>officer(s) responsible</i>	<i>target date</i>	<i>all registers reviewed at least 3 months unless specified</i>	<i>any other comments etc</i>
	Winter gritting	Insufficient budget available based on last year's experience	Reputational damage; increased potential for traffic incidents; increased claims against council etc		5	4	20				Capacity bid put forward Sept 2010 to increase budget to cover estimated number of runs	Review gritting programme each week throughout winter period. Provide information to finance in relation to likely overspend				

26 Risk Matrix

	5	5	10	15	20	25
Likelihood	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				

Review 12 months
Review 6 months
Review 3 months

Risk Categories

- Strategic:** Risks affecting medium-long term goals. Project risks, governance etc
- Operational:** Events affecting service provision. Staff shortage, physical damage, ICT etc
- Financial:** Events with a financial/budgetary impact
- Compliance:** Risks threatening compliance with standards, laws and regulations etc
- Reputation:** Affecting public perception about the organisation, staff morale, stakeholder interest etc.
- Environmental:** Events with an environmental impact.

RISK MANAGEMENT POLICY

Likelihood and Impact Descriptors

1: Negligible		Little likelihood of risk occurring except in exceptional circumstances
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
2: Low		Unlikely to occur in next 10 years
	Service Interruption	Minor disruption
	Objectives/Projects	Minor slippage
	Financial	£10k-£25k
	Compliance	Low-level non-compliance
	Reputational	Local media - short term coverage
	Environmental	Minor impact
3: Moderate		Reasonable chance of occurring in next 5 years
	Service Interruption	Some operations compromised
	Objectives/Projects	Reduction in scope or quality
	Financial	£25k-£100k
	Compliance	Non-compliance with core standards
	Reputational	Local media - long term coverage
	Environmental	Short term, medium impact
4: Significant		Likely to occur more than once in next 12 months
	Service Interruption	All or most operations compromised
	Objectives/Projects	Failure to meet secondary objectives
	Financial	£100k-£500k
	Compliance	Major non-compliance
	Reputational	Extensive local, short-term national coverage
	Environmental	Significant impact - possible long-term effects
5: Very High		More likely to occur than not at least once in next 12 months
	Service Interruption	sustained or permanent loss of core service
	Objectives/Projects	failure to meet primary objectives
	Financial	£500k +
	Compliance	serious breach of compliance - potential prosecution
	Reputational	Long-term national coverage
	Environmental	Long-term impact

RISK MANAGEMENT POLICY

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AUDIT COMMITTEE	AGENDA ITEM NO. 5
23 SEPTEMBER 2013	PUBLIC REPORT

Contact Officer(s):	Kim Sawyer, Head of Legal Services and Monitoring Officer	Tel. 452361
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THE COUNCIL'S AUTHORITY TO ALLOCATE MONEY TO PROJECTS SUCH AS THE INVEST TO SAVE SCHEME

R E C O M M E N D A T I O N S	
FROM : Kim Sawyer, Head of Legal Services and Monitoring Officer	Deadline date : None
<p>It is recommended that Audit Committee:</p> <ul style="list-style-type: none"> • Reviews the update provided in respect of the Invest to Save Scheme's decision making process; and • Considers guidance on the Council's authority to allocate money to projects such as the Invest to Save Scheme. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as an update from the Head of Legal Services and Monitoring Officer on the Council's authority to allocate money to projects such as the Invest to Save Scheme.

2. PURPOSE AND REASON FOR REPORT

2.1 At the meeting of 24th June 2013 the Committee received a report from PwC concerning their external findings on the decision making process for the Invest to Save Scheme. The Committee was advised that a scope of work was conducted at a request of the Audit Committee to explore the decision making process and whether it was in line with the Council's Constitution and whether the three project schemes within the Invest to Save Scheme funds had been conducted in accordance with the set of principles that were set out in the budget book presented to full Council of 22nd February 2012. The Committee were informed that PwC were not minded to challenge the Council on the allocation of Invest to Save funding to date.

2.2 The purpose of this report is to meet the Committee's request to be provided with an overview of the Council's authority to allocate an unspecified amount of money to projects such as the Invest to the Save Scheme and, in particular, to set out factors and requirements which members of the Council must consider when reaching decisions in relation to the Invest to Save Scheme.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. ISSUES AND BACKGROUND

- 4.1 Invest to Save is described as ‘venture capital’ for the public sector and gives additional cash sums, in addition to main funding sources, to experiment with original ideas. The Invest to Save budget will only see funds allocated where a return on the investment, increased income or savings, is the expected outcome of the project. Individual proposals are be prioritised based on return on investment and service improvement criteria set out by each project.
- 4.2 A generic scheme, such as the Invest to Save Scheme, is made up of one identified provider of funding but constitutes a number of projects, concerning the exercise of a number of functions and the delivery of a number of services, some of which are statutory duties and some discretionary in their nature. That single provision of funding for the Scheme may, in itself, be made up of a number of sources, be that Council funding, government funding, grant or commercial income.
- 4.3 Aside from asking who may make these decisions, there are two principal considerations on the Council’s legal authority to operate a general scheme like the Invest to Save Scheme. The first concerns the ability to establish the Invest to Save Scheme as a budget fund and the purpose behind that intended allocation of spending. The second is the individual application of spending under the Scheme as a project, questioning the legality of the means and outcome of the individual project itself and the legal implications arising from the way that the project may affect the delivery of service or exercise of responsibility of the function concerned.
- 4.4 The allocation of funding to individual projects under the Invest to Save Scheme should therefore be looked at in its individual parts, the establishment and purpose of the scheme and the allocation and implementation of the project under the scheme.

5. ESTABLISHMENT OF THE SCHEME

- 5.1 Regardless of its source, and of any strings attached to that source such match-funding, ring-fencing and so forth, the authority for Cabinet to spend that money derives from the Council’s Budget. The revenue Budget is made up of a number of ‘funds’ making up the Council’s estimates for the following year¹.
- 5.2 Put simply, except where the law says otherwise, every single function of the Council falls to be exercised as a responsibility of the Leader of the Cabinet. The agreement of the Budget is one of those exceptions, the formulation of which is a responsibility of the Leader but the final determination is the responsibility of Full Council.²
- 5.3 Once agreed, the Leader and those authorised to make executive decisions under his or her scheme of delegation are bound by the limitations set out in the Budget. The only exception is for where monies may be moved between budget headings (virement), the limits of which are set by Council at the same as the Budget is agreed.
- 5.4 This process is set out in mandatory standing orders³ and explained in the Council’s Budget and Policy Framework Procedure Rules⁴. These rules include a particular form of call-in for Members, or advice sought by the decision maker, where the opinion of the monitoring officer or s.151 officer is given as to whether certain expenditure is within the confines of the Budget or not. Any proposed expenditure by the executive outside of the Budget or virement limits must be referred back to Council for approval.

¹ As defined by the Local Government Finance Act 1992

² Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended)

³ Schedule II, Local Authorities (Standing Orders) (England) Regulations 2001

⁴ Part 4, Section 6 of the Constitution

- 5.5 In respect of the Invest to Save Scheme, the Council agreed to set aside £100M within a budget heading for this purpose, which may then be supplemented with reinvested income from the Scheme, central government grants to kick start particular Invest to Save projects and so forth.
- 5.6 The power of the Council to establish such a fund can be seen to derive from two sources, which would need to be considered in formulating the Scheme. The ‘power of first resort’ (as it has become known) is that the Localism Act 2011 granted to the Council the power “*to do anything that an individual person generally may do*”. It should always be noted that this is limited to the actions of a natural person, not a corporation or governmental body, and has associated with it a multitude of exceptions⁵. Beyond that, the Council is specifically empowered ‘*to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions*’⁶.
- 5.7 The Invest to Save Scheme encompasses the development of projects that will either save the Council money or generate income and, over the period of the Medium Term Financial Strategy (MTFS) the Council needs investment to deliver on its priorities. The purpose of the Scheme is thus to better deliver the authority’s functions within the financial world it finds itself in. The decisions of Full Council in establishing the Invest to Save Scheme fund as part of the Budget, and of the Leader and Cabinet in agreeing and implementing the funding of individual projects under the Scheme fund, fall squarely within those legal powers granted to the Authority.
- 5.8 As expenditure within the Scheme has remained within the limits of this fund, the Leader and Cabinet are thus considered to be fully authorised and at liberty to determine the allocation of those monies to such projects as they think fit, subject to the law associated with each individual decision and function associated with the particular project concerned.

6. ALLOCATION OF MONIES TO PROJECTS UNDER THE INVEST TO SAVE SCHEME - POLICY AND PROCESS

- 6.1 In policy terms the Council has recognised the need to deliver efficiencies, seek additional funding and periodically review both the consumption of the capital reserves and stated priorities in order to achieve its objectives. It ensures this happens through four core principles. Promoting capital investment which enable Invest to Save outcomes is part of Principle one - ‘Managing the impact of investment decisions on revenue budgets’.
- 6.2 The capital programme contains funding for Invest to Save Schemes. This budget is included on the basis that any projects funded via this budget will deliver savings to the Council, for example renewable energy schemes. Business cases for future proposals are required to demonstrate how the cost of borrowing will be covered, e.g. through income generation etc. Therefore, each scheme will be self-financing with Invest to Save Schemes have no overall impact against the Council’s bottom line.
- 6.3 The following set of principles are applied in the assessment of each scheme:
- Each project needs to complete the Council’s standard full business case. This includes the required officer evaluation and approvals as for all business cases.
 - Schemes should deliver savings that improve the financial position of the Council as presented in the MTFS.
 - Schemes will also be considered that maintain the MTFS, but contribute towards delivery of service improvements, or contribute to achievement of Council priorities.

⁵ Part 1, Localism Act 2011

⁶ S.111, Local Government Act 1972

- The MTFSS assumes that payback from schemes commence in the same year the project starts. If this is not the case, proposals will need additional analysis in the business case.
- Proposals will need to be subject to the Council's decision making requirements, e.g. any schemes above £500k will be subject to a CMDN approved by the Cabinet Member for Resources and the relevant portfolio holder.

7. ALLOCATION OF MONIES TO PROJECTS UNDER THE INVEST TO SAVE SCHEME - AUTHORITY AND LEGALITY

7.1 In coming to decisions in general the Council and Councillors will have various duties. The Council must act in accordance with its statutory duties and responsibilities, including public sector equality duty, crime reduction, etc. The Council must act reasonably and must not breach its fiduciary duty to its ratepayers and taxpayers.

7.2 Preceding that stage to invest in each project, the business case will be considered in terms of its exercise of the individual function or functions of the Council concerned.

7.3 The measures related to the Invest to Save Scheme will almost all be executive functions that are the responsibility of the Cabinet and Leader. Where they are not, such as a liquor licensing measure⁷, the decisions would be taken in partnership with the relevant Committee as appropriate.

7.4 To establish whether the particular invest to save proposal is legal, therefore, it is a measure of the assessment of the business case that it asks the right questions concerning that proposal. These include:

- Is there a duty to perform this function?
- If a use of the Council's general power of competence, are there any limitations on exercising this function?
- Are there any statutory minimum levels of service or professional or statutory rules associated with the performance of this function?
- Could the implementation of this proposal diminish the current standards of service, particularly if that could mean the service falls below that minimum standard?
- Are there contractual implications to the delivery of this project?
- Are there employment or accommodation implications to the delivery of this project?

7.4 Each of those questions may lead to an insistence on legal research or a form of due diligence to be carried out before the project can be recommended to the Cabinet member for approval.

8. IMPLEMENTATION

8.1 This process of assessment does not, and should not, stop at the moment of allocation. The business case will include details of project management and project governance. That project governance, the project manager (alone in smaller projects) and through the lawyer allocated to the project team (in large projects) will ask the questions relevant to the initial assessment throughout the life of the project.

8.2 Risk management is a key aspect of any project and this includes legal risk, be that in terms of the Council's transactions with others or the Council's statutory and common law duties to act in the public interest. Accordingly, negative implications for the Council's contractual, legal or reputational position will be referred through the governance arrangements for assessment and decision.

⁷ *By virtue of s7 of the Licensing Act 2003 All matters relating to the discharge by a licensing authority of its licensing functions are referred to its licensing committee and, accordingly, that committee must discharge those functions on behalf of the authority*

8.3 An update on schemes be included in future financial reports to Cabinet during the year.

9. CONSULTATION

9.1 There has been consultation between the Council's Monitoring Officer and the Deputy Monitoring Officer/Legal and Governance Lawyer.

10. ANTICIPATED OUTCOMES

10.1 That Audit Committee notes the position.

11. REASONS FOR RECOMMENDATIONS

11.1 To update the Audit Committee on the position of the Invest to Save Scheme's decision making process and the Council's authority to allocate money to such projects.

12. ALTERNATIVE OPTIONS CONSIDERED

12.1 The purpose of this report is to update the Committee, therefore no alternative options have been considered.

13. IMPLICATIONS

13.1 There are no financial or legal implications arising from this update paper.

14. BACKGROUND DOCUMENTS

14.1 All background documents used in the drafting of this report have been referred to within the report.

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AUDIT COMMITTEE	AGENDA ITEM No. 6
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Kim Sawyer, Head of Legal Services	Tel: 452361

REVISED CONTRACT REGULATIONS

R E C O M M E N D A T I O N S	
FROM: Kim Sawyer, Head of Legal Services	Deadline date : Not applicable.
Audit Committee is recommended to:	
<ol style="list-style-type: none"> 1. note the contents of the report relating to the revised Contract Rules; and 2. recommend that Council agrees to include the Contract Rules within the Constitution to replace the current Contract Regulations 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee as part of the Head of Legal Services responsibility under Article 13 of the Constitution to monitor and review the Constitution. The report sets out the proposals to replace the existing Contract Regulations with a revised set of Contract Rules which are set out at Appendix 1 to this report.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide the Committee with an overview of the changes which are necessary to the Contract Regulations at the present time to bring these up to date.
- 2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.11. To maintain an overview of the Council's constitution in respect of contract procedure rules, and Financial Regulations.

3. **TIMESCALE** (If this is not a Major Policy item, answer **NO** and delete second line of boxes).

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
Date for relevant Council meeting	9 October 2013	Date for submission to Government Dept (please specify which Government Dept)	N/A

4. MAIN BODY OF REPORT

- 4.1 The existing Contract Regulations set out under Part 4, Section 11 of the Constitution were last reviewed in 2007 and need to be reviewed. There have been some developments around procurement law, changes in the way the Council has contracted with and through strategic partners and suggestions made by officers to improve service delivery. This has resulted in Legal Services revising the Contract Regulations to improve Council processes for its purchasing, so that procurement is more efficient and effective. Furthermore, this will assist the Council to meet the current challenges and its corporate priorities.

- 4.2 The revised Contract Rules (which will replace the existing Contract Regulations) have been based on the fundamental principles of the existing Contract Regulations with some formatting changes and legal updates. The Regulations have been renamed the Contract Rules so they are not confused with the Public Contracts Regulations 2006.
- 4.3 The revised Contract Rules will address some of the issues and recommendations made by officers during the consultation process, take into account recent procurement developments and ensure that the Rules can be easily be followed by officers so any procurement activity is carried out efficiently and effectively.
- 4.4 It is important for members to note that no changes have been made in respect of delegations on contracting matters to member's or officer's. The same financial limits apply and the same approval process exists as under the current Contract Regulations.
- 4.4. Appendix 1 to this report sets out the revised Contract Rules.

5. CONSULTATION

- 5.1 Officers received training on the draft Contract Rules and part of that process involved officers making recommendations on further changes which were considered and subsequently some of these have been incorporated into the Contract Rules.
- 5.2 Colleagues in procurement and legal services were also fully engaged in the process and internal audit were consulted prior to the first draft of the new Rules.
- 5.3 Once the new rules are implemented there will be a roll out to all directorates and lawyers will provide training to officers relating to the revised rules.

6. ANTICIPATED OUTCOMES

The implementation of the recommendations set out in the report will ensure that Council's processes relating to procurement are robust and reduce the likelihood of challenges being made to Council decisions in respect of procurement.

7. REASONS FOR RECOMMENDATIONS

To provide the Committee with reasoning for the review of the Contract Regulations as part of their overview function.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Do nothing. This was rejected for the reasons set out in the report.
- 8.2 Draft a new set of rules. This was rejected on the basis that the rules requiring modifying and a completely new set or rules may have created difficulties for officers involved in procurement and impact on maintaining service delivery.

9. IMPLICATIONS

The implications of the revised Contract Rules are set out within the report.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Contract Regulations set out in Part 4, Section 11 of the Constitution

11. APPENDICES

Appendix 1 – Peterborough City Council Contract Rules

Peterborough City Council

Contract Rules

Under Section 135, Local Government Act 1972

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Introduction to Contract Rules

These Contract Rules are made pursuant to the power under section 135 of the Local Government Act 1972 to make standing orders with respect to the making of contracts for or on behalf of the Authority, which is a power reserved to Council as a function that may not be exercised by the Cabinet (executive) by virtue of schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

Where a decision to procure goods or services or the decision to award a contract is an executive (Cabinet) function, who may or may not make that decision and up to what financial limits is to be determined in accordance with the Leader's Scheme of Delegation in operation at that time. The Leader's Scheme of Delegation can be found at Section 3 (Executive Functions) of Part 3 (Delegations) of the Constitution

These Rules apply to contracts or agreements with external organisations where the Council pays for:

- goods and/or services;
- works of any kind;
- hire, rental or lease of equipment.

The Rules also apply to any contracts made using:

- framework agreements,
- Constructionline (the UK register of pre-qualified construction services), recognised pre-qualified lists (Select Credit),
- or any contracts to be awarded on behalf of schools which are part of the LEA.

For high value contracts, officers must comply with national and European legislation which will **override** these Rules. You must seek advice from Legal Services and the Procurement Team about that process.

Which contracts are NOT covered?

These Rules do **not** apply to:

- Arrangements between different parts of the Council. Such arrangements are covered by service level agreements (**SLA**). For example, an agreement for Legal Services to provide legal advice to the Strategic Property team;
- Employment contracts between an individual and the Council;

- Buying or leasing land or buildings. These are covered by the Land Disposal Rules within the Financial Regulations;
- Grants of money. Grants cannot be contracts as they do not deliver services to the Council. Any grants of money must be in accordance with the Constitution and prior advice should be sought from Legal Services in relation to the governance process for award of grants and the legal documentation that will be required to be put in place. These Rules are not a guide to purchasing. These are the fundamental rules designed to ensure ethical processes around contracting.
- Certain collaborative arrangements between local authorities eg section 75 agreements.

Officer responsibilities

All officers must:

- Comply with the Council's Financial Regulations and, in particular, declare any conflicts of interest in a potential contract or with bidders;
- Declare any gifts or hospitality received either before, during or after the procurement;
- Report any gifts or hospitality which may have improper motive to the Internal Audit team;
- Not disclose any confidential information to unauthorised persons;
- Ensure they have authorisation for the contract from an appropriate officer or member;
- Conduct the procurement process in a open and transparent manner;
- Enter all consultancy contracts and certain higher value (above £50,000), or high risk contracts onto the Verto management system;
- Achieve the best value for money achievable;
- Be fair to all bidders;
- Ensure that all equality issues are addressed (carrying out an equality impact assessment where required).

Chief Officer Responsibilities

The Constitution states:

"The Chief Executive, Directors and the Deputy Chief Executive are authorised to deal with contractual matters in accordance with the contract rules" (Part 3)

Therefore Directors must:

- Ensure that their Officers comply with these Rules and the Financial Regulations;

- Ensure their Officers inform the Procurement team of all contracts awarded so that it can maintain an accurate and up-to date register of all Council contracts;
- Check that they have an appropriate authorisation, or have put in place an appropriate delegated authorisation, before any contract is awarded and commenced.

By following the Rules, officers will:

- ensure the Council's procurement is legal;
- deter corruption;
- achieve value for money;
- show that the Council is accountable for its expenditure;

Advice and assistance

Officers can also contact the following people for advice:

Contracts and Procurement Team

Project Delivery

Legal Services

Osman Hamir Tel: 452394

Israr Ahmed Tel: 452326

Alex Maxey Tel: 452325

Procurement Team

1. Andy Cox

Commercial Management

Strategic Client Services

Tel: 452465

2. Serco Procurement

commercialandprocurementunit@peterborough.gov.uk

Review date – December 2013

Quick Reference Guide

VALUE	PROCESS	EXEMPTION FROM RULES BY	DECISION TO AWARD	FORMALITIES	AUTHORITY TO SIGN OR SEAL CONTRACT	OTHER
Contracts under £5K	1 quotation	Exemption report signed by Executive Director of Strategic Resources	Contract award notice signed by relevant Director or CEX or their delegates	Purchase order (oracle system)	CEX or relevant Director (if written contact exists) or delegated authority	
Contracts between £5K & £50K	3 quotations	Exemption report signed by Executive Director of Strategic Resources in consultation with the Head of Legal Services	Contract award notice signed by relevant Director or CEX or their delegates	Purchase order (oracle system) and correspondence	Authorised signatory or relevant Director or delegated authority	Enter contract onto contract register
Contracts between £50K and EU threshold (£173K for goods and services or £4.3M for works) (for procurements between 2012 and end of 2013)	Tender with 4 bidders	Exemption report signed by Executive Director of Strategic Resources in consultation with the Head of Legal Services	Contract award notice signed by relevant Director or CEX or their delegates	Formal contract approved by Legal Services	Authorised signatory (CEX or Director of Strategic Resources or Head of Legal Services) or delegated authority All contracts over £100k are to be sealed under the Council's seal.	Seek advice on bonds or parent company guarantee Enter project on Verto Notify risks to risk register Written approval of Director and Head of Legal Services to terminate or assign Extension to be agreed by Director (if contract provides for

						extension) and subject to approval by Legal Services and Procurement.
<p>Contracts over EU threshold (£173K for goods and services £4.3M for works) (for procurements between 2012 and end of 2013)</p>	<p>EU process (seek procurement and legal advice including advice on social improvements for services contracts)</p>	<p>Only statutory exemptions from the EU process are permitted Officers cannot provide exemption from the statutory rules</p>	<p>Contract award notice signed by relevant Director or CEX or their delegates</p> <p>Key decisions must be on the Forward Plan at least 28 days in advance</p>	<p>Formal contract approved by Legal Services</p>	<p>Contract sealed</p> <p>Authorised signatory (CEX or Director of Strategic Resources or Head of Legal Services) or delegated authority</p>	<p>Seek advice on bonds or parent company guarantee</p> <p>Enter project on Verto</p> <p>Notify risks to risk register</p> <p>Written approval of Director and Head of Legal Services to terminate or assign</p> <p>Extension agreed by Director (if contract provides for extension) and subject to approval by Legal Services and Procurement.</p>
<p>Contracts subject to EU process and over £500K (Applies to goods, services and works contracts over £500K)</p>	<p>Apply the relevant process above</p>	<p>For goods and services: Only statutory exemptions from the EU process are permitted. Officers cannot provide an exemption</p> <p>For works contracts: The Executive Director</p>	<p>Key Cabinet Member Decision Notice (CMDN) signed by the Cabinet member</p> <p>Decision on Forward Plan at least 28 days in advance</p>	<p>Formal contract approved by Solicitor to Council</p>	<p>Contract sealed</p> <p>Authorised signatory (CEX or Director of Strategic Resources or Head of Legal Services) or delegated authority</p>	<p>Seek advice on bonds or parent company guarantee</p> <p>Enter project on Verto</p> <p>Notify risks to risk register</p> <p>Written approval of Cabinet member to terminate or assign</p>

		of Strategic Resources can approve exemptions up to the EU threshold				Extension agreed by Director (if contract provides for extension) and subject to approval by Legal Services and Procurement.
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Section 1 – Beginning the Process

Before beginning any purchase you have to go through each of the steps in this section. It will help you determine how to apply the remainder of these rules.

Before contracting

Before any purchase you must take the following essential steps to ensure that you are getting best value for the Council:

- Calculate the total contract value
- Consider whether any corporate contracts ought to be used
- Research the market
- Consider what other advice/assistance you may need:
 - Does the contract involve land or buildings e.g. is a lease or licence required? If so, contact the *Estates* team;
 - Are any employees affected by the contract? If so, contact *Human Resources & Legal Services*;
 - Is equipment, plant or machinery to be transferred under the contract? If so, consider *Financial Regulations*;
 - Is there any issue of state aid? If so, contact *Legal Services*;
 - Who has the correct delegated authority to authorise the contract? Contact *Legal Services* if in doubt;
 - Are there any equality issues within the contract, are there any requirements that need to be considered under the Public Sector Equality Duty, is an equality impact assessment required? If assistance is required, contact *Legal Services*;
 - Contract value issue?
 - Is the contract really a SLA or a Grant Agreement? If assistance is required, contact *Legal Services*;

Does the contract involve services above the EU threshold? If so, consider what social improvements might be secured and if consultation is required (under the Public Services (Social Value) Act 2012. Contact *Legal Services* if in doubt;

- Prepare a Business Case (Verto) for any contract using consultants of any value or other contracts above £50K

Calculate the total contract value

The contract value determines the process you must follow under these Rules.

You can calculate the total estimated value of the contract according to a simple formula

$$\text{Annual value} \times (\text{number of years} + \text{extension period}) = \text{total value}$$

The calculation may be subject to the following variances:

- where the contract is for a fixed period, the value is the total price to be paid or which might be paid during the whole of the contract period, including any possible extensions to the contract period;
- where a number of goods or services contracts are to be entered into, the estimated value of each contract shall be the total value of the payment which the Council expects to pay under each of those contracts;
- where a number of works contracts are to be entered into, the estimated value for carrying out the works shall be total value of the payment which the Council expects to give under all the contracts for carrying out the works;
- where the contract is for services has been provided over an indefinite period the value is obtained by multiplying the monthly payment under the contract by 48;
- where a service contract includes one or more options the estimated value of the contract shall be determined by calculating the highest possible payment which could be given under the contract;
- where the contract is a single contract comprising services, supplies or works in combination, the value is calculated according to the price of the largest element of the contract.

Some contracts may not be for a cash value. Where this is the case please contact Legal Services who will assist you in calculating the contract value.

You should not enter into a series of separate lower value contracts with the intention of avoiding these Contract Rules.

Prepare a business case or mandate

The Verto system has been designed by the Council to monitor projects undertaken by the Council or using Council budgets. You must use Verto if it involves;

- Any purchasing as part of a project which is outside of 'business as usual'.

- Any use of a consultant.
- Any purchase over £50,000 in value.
- Any contract carrying high risk.

There are no strict financial limits around the requirement to enter a project on Verto but it is considered best practice for officers to make more comprehensive use of the Verto system.

Information and guidance on Verto can be found on Insite.

Please see the 'Consultant's Policy' on Insite for further information on the use of consultants.

Corporate contracts

The Council has entered into a number of partnership arrangements for either;

- direct delivery of internal services (e.g. IT with Serco);
- direct delivery of its services to the public e.g. the refuse collection service provided by Enterprise, leisure and cultural services provided by Vivacity), or
- centralised procurement of other bought in services (e.g. travel and hotel bookings, agency staff etc.).

These contracts create an exclusive arrangement between the Council and our partners for the services those partners provide. This means that you are obliged to use these service providers for the services they deliver. These are referred to throughout these Rules as the corporate contracts.

For all other services which fall outside of those contracts you have to tender any purchasing on the open market. You must also invite our partner to tender for the goods, services or works if they have the ability to provide those services but, within that tendering process, they are treated the same as any other bidder.

Failure to use the corporate contracts may result in the Council being in breach of contract and is likely to incur financial penalties for the Council.

Please contact the Strategic Client team for advice on our corporate contracts.

Research the market

Researching the market is an important tool in identifying potential cost savings to the Council. The Procurement Team can assist you to identify where you can add value to your tendering process by undertaking proper market research.

You are permitted to consult potential suppliers prior to starting your purchase in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters provided. However you must not:

- prejudice any potential bidder; or
- favour any potential bidder so as to distort competition.

The Procurement Team can assist you with carrying out effective market research.

Framework agreements or local market tendering

The Council's Procurement Strategy will determine whether you should seek to achieve cost efficiencies through use of framework agreements or whether you should tender in smaller lots as a way to encourage bids from small to medium enterprises (SME's), in particular to target and stimulate local business.

There are numerous framework agreements for pre-tendered goods and services. There is generally no requirement to use a framework agreement but best value is often achieved by procuring through a framework agreement.

Use of a framework agreement may require you to engage in a mini-competition. This will be determined by the terms and conditions relating to the framework.

The Procurement Team can advise you on the various framework agreements available and provide advice on how to structure your tender to take advantage of the competition.

In some cases it may be preferable to tender the contract in smaller lots to allow local businesses the opportunity to tender for the work. Whilst smaller contracts may encourage local businesses to tender, you cannot limit the tendering process to local businesses alone as this would be to breach the requirement to be fair in your tendering process.

Other considerations

Please do consider each of the following before beginning any tendering exercise.

The need for the purchase

- Is the cost of purchasing outweighed by the benefits received?
- Have you considered other alternatives to your purchase or whether you might co-purchase with other Council Departments and so achieve further economies of scale?
- Are there products or skills within the Council that can be used without the need to source these externally?

Risks arising

- Consider any risks associated with the purchase and how they are to be managed. Is this something that needs to be addressed on the departmental risk register?
- Have you factored in critical support and maintenance arrangements (i.e. whole life costing) if appropriate to avoid later negotiations? This is particularly important if your purchase involves any land or buildings.

Process

- Make sure you have selected the most suitable procurement method for the purchase e.g.
- Through the use of a corporate contract;
- sourcing through a framework; or
- partnering and collaborative arrangements with other local authorities or public bodies

Governance

- Do you have the available budget?
- Do you have the appropriate approval for the expenditure in line with the Constitution?
- If the purchase requires a Cabinet Member decision, consider whether it is a key decision and has to be included on the Forward Plan in line with the Council's Constitution;
- Have you notified the Procurement Team if the total value of the contract is above the relevant EU threshold?

Key practical points

- Factor into your timetable sufficient time to prepare the tender documents especially the evaluation criteria in advance of beginning the tendering process.
- Consider the essential elements of your contract and ensure that these are included in your conditions of contract.
- Ensure that your contract budgets for the whole life costs of the contract.

Section 2 – Process according to Value

Part A: Contracts below £5,000

This section sets out the requirements that officers must follow when purchasing works, goods or services where the total value of the contract is below £5,000.

Getting a quote

1. For contracts for works, goods, or services with an estimated value not exceeding £5,000, you must either:
 - obtain a quote under one of the Council's corporate contracts, or
 - place an order with a contractor under a framework agreement, or
 - obtain a quote from other relevant suppliers
2. Officers should note that they are required to obtain a quote from a corporate contract where one exists for the supply of those services.

Formalities

3. There must be a written record of the quotation, which may be in the form of a letter or email to or from the contractor.
4. You should consider the following information as essential to include in any quote:
 - the specification of the goods, services or works to be supplied;
 - payment provisions in line with Financial Regulations;
 - the Council's termination rights;
 - the key time or times when the contract is to be performed;
5. You must have a purchase order in line with Financial Regulations. This may require you to set up the supplier on the Council's accounting system in accordance with Financial Regulations.
6. The decision to award the contract and any written terms must be agreed in writing by your Director (or the Chief Executive) unless they have delegated that authority to you or another senior officer within your team.

Part B: Contracts between £5,000 and £50,000

This section sets out the requirements that officers must follow when purchasing works, goods or services where the total value of the contract is between £5,000 and £50,000.

Obtaining quotations

1. In the case of contracts for works, goods or services with an estimated value between £5,000 but not exceeding £50,000 you must first consider:
 - Whether you must procure those services through an existing corporate contract,
 - Whether a corporate contract can supply those services, or
 - Whether you have to source those services on the open market.
2. If a corporate contractor does supply those services or can procure those services on our behalf, you must instruct them directly. If you do not wish to make use of a corporate contract you will need to complete an exemption report (see section 4) prior to tendering to obtain the authority of the Executive Director of Strategic Resources not to do so.
3. If you are sourcing those services on the open market, you must obtain at least 3 written quotes and select the provider that offers the best value for money. You should consider whether to ask for assistance from the Procurement Team even for such low value contracts as they may be aware of ways in which you can maximise resources to achieve best value.
4. If 3 quotes cannot be obtained due to lack of suitable contractors, the Officer must complete an exemption report prior to awarding any contract. This is to obtain authority to be exempted from this Rule. For further information please see Section 4 of these Rules.

Advertising the Contract

5. Although there is no specific requirement to advertise a contract between these values, officers and our corporate partners are positively encouraged to advertise contracts where
 - the contract value is above £25,000 ;
 - competition in the market is strong, or
 - the number of potential suppliers is high.
6. Advertisements can be placed on the Council's website, in the trade press and on websites specifically set up for contract advertisements (i.e. Contracts Finder). The Procurement Team can provide assistance with advertising.

Framework agreements

7. Where a suitable framework agreement exists you may use the framework if the Council is mentioned as a potential purchaser under the framework agreement. You must follow the procedure set out in the framework agreement and do not have to obtain 3 quotations. The Procurement Team can assist you in selecting an appropriate framework agreement and advise you on the process for obtaining quotes.

Known suppliers

8. In some cases you may already be aware of suppliers possessing a particular type of goods or service or works expertise that you are seeking. You may seek 3 quotations from any suppliers known to you but you must ensure that:
 - you do not use these suppliers in preference to any corporate contracts;
 - you do not discriminate in your selection of any particular supplier.

Invitations to Quote

9. Although quotations do not require a formal process you must ensure that your request for quotes is made in writing and must set out a simple specification for your purchase. You should also state the basis upon which you will select the successful quote.
10. You must have a purchase order in line with Financial Regulations once you have selected the successful quotation.
11. If you select any supplier who is not the cheapest quote, you must record your reasons for selection in writing.

Higher value quotations

12. Where the value of the contract is between £45,000 and £50,000 Officers are encouraged to pursue a more formal quotation process. Officers not following a formal quotation process must record their reasons in writing. Officers should consider drafting an Invitation to Quote comprising of the following:
 - Bidders information about the process being used;
 - Specification of the goods, services or works being purchased;
 - Award criteria and procedure;
 - Tendering and canvassing certificate;
 - Contract terms and conditions.

13. The Invitation to Quotation must state that:
 - the Council is not bound to accept a quotation and;
 - late submissions or submissions which do not comply with the Council's award procedure will be rejected.

14. The Invitation to Quotation must include the contract terms and conditions that will apply to the contract setting out:
 - details of the goods, services or works to be supplied;
 - payment provisions;
 - the Council's rights to terminate the contract;
 - the key time or times when the contract is to be performed;

15. The Officer must consult Legal Services before an Invitation to Quotation is issued where the purchase involves one or more of the following:
 - the transfer of non-land assets.
 - the transfer of staff.
 - the transfer or lease of land.
 - potential state aid issues.

16. Your Director can award a contract up to £500,000 in value upon receipt of a contract award report. The contract award report must be completed and submitted to your Director (or delegated officer) for approval. The signed award report must be kept by the department for future reference.

17. The contract can be signed by the relevant Director.

Part C: E-tendering

1. Electronic Procurement (e-procurement) is the use of an electronic system to advertise and invite tenders for goods, works and services.
2. E-procurement covers the whole purchasing cycle. This is also known as the 'purchase-to-pay' cycle and includes:
 - electronic requisitioning,
 - electronic tendering,
 - electronic ordering,
 - purchasing cards and
 - electronic Payment/Invoicing.
3. The e-tendering system must be used for any purchase of goods, works or services above £50,000, however officers are encouraged to use the system for contracts below £50,000 where possible.
4. To use the e-procurement system you should contact the Procurement Team to register yourself as a user on the e-sourcing system. Training and user guides will be provided.
5. The following sections of these Rules anticipate that you will use the e-procurement system for any purchasing. If you do not wish to use the e-procurement system you will need to discuss this with the Procurement Team.

Part D: Contracts between £50,000 and EU values

Contracts in this range of values are subject to the Council's tendering procedures as set out in this section. E-procurement is the preferred method of tendering and use of framework agreements is likely to be more common. You are therefore very likely to need assistance from the Procurement Team throughout this process and an early request for assistance is recommended.

Prior considerations

1. In the case of contracts for works, goods or services with an estimated value between £50,000 to the EU threshold you must first consider:
 - Whether you must procure those services through a corporate contract, or
 - Even though procurement through the corporate contract is not necessary, whether a corporate contract can supply those services, or
 - Whether you have to source those services on the open market, or
 - Whether you want to call off those services from a framework agreement.
2. If a corporate contractor can supply or procure those services, you must instruct them directly. Where they are procuring works, goods or services on your behalf they must follow these tendering procedures. If you do not wish to procure through the corporate contract you will be required to complete an exemption report (see section 4) before placing any orders for goods, services or works.
3. If you are sourcing those services on the open market, you must tender for a supplier using the e-procurement system.
4. Where there is a lack of suitable contractors on the market to merit a tendering process, you must complete an exemption report. This is to obtain authority to be exempted from this Rule. For further information please see Section 4 of these Rules.

Using a framework agreement

5. A framework agreement comprises pre-assessed suppliers. Use of a framework therefore simplifies the tendering process and offers considerable cost reduction. Before opting to use a framework agreement you should also consider whether there is benefit in re-packaging the tender to enable local businesses to compete for the contract.
6. A framework agreement will be suitable where you are contracting for services, goods or works
 - commonly available
 - frequently used

7. A framework agreement may not be suitable for your supply where it involves:
 - particularly complex or risky procurements;
 - one-off procurements where the product or service requires a specialism;
 - procurements which are looking for particularly novel solutions;
 - where the contract length would be longer than four years;

8. Before using any framework agreement please ensure that the Council was identified as a potential purchaser in the OJEU notice. Advice on this can be sought from the Procurement Team or Legal Services.

Awarding a call-off

9. Once you decide on a framework agreement you must call off your individual contract under the framework either by;
 - placing a direct order/direct award or
 - holding a mini competition

10. The method of call-off will depend on the terms and conditions of the framework. Some larger frameworks are divided into a number of lots, which may have been set up to enable direct ordering whilst others are designed to provide more bespoke solutions with the terms, conditions and solutions being refined through mini competition.

11. You cannot make any substantive changes to the specification or the terms and conditions of the framework so you must follow its terms in order to procure under the framework.

Tendering process

12. Officers who have assessed that they do not want to award through a framework agreement are required to carry out a formal tendering process. The Council's preferred method is e-procurement.

Advertising

13. You are required to advertise any contract you wish to tender whose total value is over £50,000.

14. You must ensure an appropriate level of advertising having regard to:
 - The subject matter of the contract;
 - The value of the contract;
 - The size and structure of the market and common commercial practices in that market;

- The location where the goods or services will be delivered.
15. The greater the interest of the contract to potential bidders, the wider should be the coverage of the advertisement. Depending on the above criteria, advertisements could be placed on the Council's website, in the trade or local press, on websites specifically set up for contract advertisements (e.g. Contracts Finder) or, where the contract borders on the EU threshold, in the Official Journal of the European Union (OJEU).

Preparing the tender documents

16. To complete the tender process you must prepare the following documents:
- An Invitation to Tender including the evaluation criteria;
 - Specification of goods, services or works to be supplied;
 - A tendering and canvassing certificate;
 - Parent company guarantee or performance bond (where appropriate);
 - Standard conditions of contract.

Preparing the evaluation criteria

17. Before starting the tender process, you must define the evaluation criteria. This details how the bids will be evaluated. It is essential that the methodology for the award is set out in the Invitation to Tender.
18. You must apply the relevant British and any equivalent European or international standards to define the required quality of the goods or services being purchased.
19. The evaluation criteria must be relevant to the services, goods or works being purchased and must be designed to secure value for money for the Council.
20. The evaluation criteria for award of the contract must be based on:
- the most economically advantageous (MEAT) bid (in other words, where quality, performance or improvements are as important as price); or
 - the lowest price (where price is the only factor).
21. If the most economically advantageous criteria are to be used, they can be further defined by relevant sub-criteria, examples of which are set out as follows:
- price;
 - quality and performance;
 - running costs;
 - technical merit;

- economic advantage based on past experience;
- delivery date;
- environmental considerations;
- aesthetic and functional characteristics;
- safety;
- after-sales services;
- technical assistance; and
- other relevant matters.

22. Where sub-criteria are used, they must also be set out in the Invitation to Tender.
23. The evaluation criteria must not include non-commercial considerations. These are criteria which are not directly relevant to the operation of the contract e.g. the terms and conditions of employment of the bidders' workers or the country of origin of the bidder.
24. The award criteria cannot include matters which discriminate against suppliers from the European Union or signatories to the Government Procurement Agreement.
25. As the evaluation stage is the most likely point at which a challenge may be made to the procurement process you are advised to seek assistance from the Procurement Team regarding evaluation modelling.

Defining the evaluation procedure

26. Bids can be evaluated by using the bidders' written submissions only or you may want to arrange face to face interviews with the bidders and/or ask for bidder presentations to supplement the written submissions.
27. You must choose which process you will use to evaluate the bids and set this out in the Invitation to Tender.

Preparing the invitation to tender

28. The Invitation to Tender sets out the basic rules for the tendering process and you must use the standard template Invitation.
29. The invitation to tender must state that
 - the Council is not bound to accept the tender;
 - late submissions and submissions which do not comply with the Council's e-tendering procedure will be rejected;
 - the e-tendering system does not allow acceptance of tenders via email or post;

- the date and time for submission of tender and that late tenders may not be accepted;
 - the tender submission closing time is governed by the e-tendering system's clock which automatically records receipt of tenders and retains that information;
 - Where bidders are asked to upload files, you must advise them that single file sizes must not exceed 5mb.
30. The invitation to tender should be accompanied by standard conditions of contract. You need to consider whether there are further conditions relevant to the contract e.g. the time the service is performed, the date on which goods are delivered etc. In some cases standard contracts (e.g. JCT contracts) will be available.
31. Officers must consult Legal Services before a tender is issued for any contract which involves one of the following:
- the transfer of non-land assets;
 - the transfer of staff;
 - the transfer or lease of land;
 - any form of payment assistance to the bidder (state aid).

Clarification procedures

32. All clarification and communication during the tender process should be channelled through the e-tendering systems messaging tool. Never email bidders via your email account during the tender exercise as there is no clear audit trail to support your process. When a message is received from a bidder a notification will be emailed to you to respond to the message. Any queries raised by a bidder and clarifications provided should be forwarded to all bidders with anonymity of the bidder raising the query.
33. If an error is identified in the invitation to tender before the closing date for submissions and is significant enough to warrant amendment, all bidders should be informed of the error and invited to adjust their bids.

Submission, receipt and opening of tenders

34. Tenders will only be available to evaluate following the closing date for submissions.
35. Tender evaluation may be completed within the e-tendering system on line or off line.

Post tender negotiation

36. If an error is identified in the invitation to tender after the closing date for submissions and is significant enough to warrant amendment, all bidders should be given details of the error and given the opportunity to withdraw their offer or to submit a revised bid within a defined period.
37. Where there is a minor error or discrepancy in the successful tender which would affect the tender figure, the bidder should be given details of the error or discrepancy and given the opportunity to confirm, correct or withdraw its bid. If the bidder withdraws its offer, the next most competitive bid should be assessed.
38. Following receipt of the tenders, you may clarify or negotiate with a preferred bidder to obtain an improvement in terms of price, delivery or service. Any such clarification or negotiation must:
 - not discriminate against other bidders, and
 - not alter the original specification except where Legal Services or Procurement have advised that special circumstances exist that can be substantiated, and
 - have the prior authorisation of Legal Services or the Procurement Team, and
 - be confirmed in writing by the bidder.

Evaluation, selection and de-briefing

39. The e-tendering system may be used as a document exchange system where tenders are uploaded to the system and then evaluated off-line or you may use the systems tender questionnaire which will enable you to evaluate the bids online within the e-tendering system.
40. Bids must be evaluated and the successful bidder selected in line with the advertised award criteria and the award procedure.
41. There is no requirement for a standstill period in non-EU tendering but it is considered good practice to debrief unsuccessful bidders before awarding the contract to identify and avoid any potential challenges from an unsuccessful bidder.
42. You may want to include the following matters in any debrief:
 - identifying the bidder to whom the contract will be awarded,
 - the reasons for the decision,
 - the award criteria,
 - a full breakdown of the bidder's scores against each of the criteria and sub-criteria together with an explanation why the successful bidder achieved a higher score,
 - the score of the successful bidder,
 - the reasons (if any) why the bidder did not meet the technical specifications.

43. Apart from the debriefing permitted by this Rule, the confidentiality of tenders and the identity of bidders must be preserved at all times and information about one bidder's response must not be given to another bidder.

Award report

44. Provided there is no challenge to the decision to award the contract you must prepare a contract award report to authorise the award of the contract which must be sent to Legal Services, Procurement and Finance for approval before your Director signs off the report. The report must be signed by the Director or a senior officer with authority delegated from the Director.
45. Once your contract award notice has been approved, you will need to notify all bidders of the result via the e-tendering system.

Contract formalities

46. There must be a signed written contract in place between the Council and the contractor before the supply, service or work is started. You must send the following documents to Legal Services to prepare and finalise the formal contract documents:
- Signed Director's Contract Award Report;
 - Invitation to Tender (including the terms and conditions);
 - Successful Contractor/Service Provider/Consultant tender submission;
 - Any other documents you wish to include in the contract
47. Signed, Sealed contracts will be listed in the Council's contract register and placed in the Council's Deeds Room and you will be forwarded a contract number for future reference. Contracts between £50,000 and £100,000 need to be signed by an Authorised Signatory or sealed in the presence of an Authorised Signatory. All contracts over £100,000 must be sealed in the presence of an Authorised Signatory.
48. If you want the contract to begin before the contract is signed or sealed, you should consult Legal Services. In exceptional circumstances, the Head of Legal Services may permit the contract to begin before the contract is signed.

Contract register

49. You must give details of the contract to the Procurement Team to be entered into the Contracts Register.

Part E: Contracts above EU values

If you want to award a contract in this range of values you must consult the Procurement Team and Legal Services. This process is governed by statutory rules and European Directives that are too extensive to set out in these Rules. The following Part is intended as summary guidance only.

It is important to note that the statutory rules supersede these Rules and contain their own exemptions.

No exemption can be granted by officers or members for exemption from the EU process unless the exemption is permitted by the statutory rules.

Identifying potential candidates

1. Contracts which are covered by the Regulations must be the subject of a 'call for competition' by publishing a contract notice in the Official Journal of the European Union ("OJEU").
2. In most cases the time allowed for responses or tenders must be no less than a set period, although some prescribed periods can be reduced where:
 - A prior information notice (PIN) was published sufficiently far in advance of the procurement or when accelerated procedures are used;
 - If the OJEU notice was submitted electronically in accordance with the requirements set out on the SIMAP website (see above);
 - Where authorities offer full and unrestricted access to tender documents (in accordance with specific requirements set out in the EU procurement regulations).

Reduced advertising requirements for certain categories of service contract

3. Service contracts are divided into two categories:
 - Part A – to which the full rules apply;
 - Part B – where the only obligations relate to technical specifications and post-award information and there is no requirement for contracts to be advertised in the OJEU.

However, the European Commission has issued guidance for contracting authorities to observe when letting Part B services contracts. This may involve an obligation to advertise the Part B services contract. If assistance is required, contact *Legal Services*.

At the pre-procurement stage of a services contract (Part A and B Services) that is above the EU threshold, you must consider:

- what social improvements might be secured, and

- consider whether service users, service providers, voluntary and community sectors and other stakeholders in the field should be consulted on preparing a revised specification in relation to any proposed social improvements.

Procurement and Legal Services can provide further guidance on this. You need to keep a written record of how these issues have been addressed.

4. The services which fall within Part A and Part B are listed in Schedule 3 of the Regulations (which can be viewed on the Cabinet Office website). Contact the Procurement Team or Legal Services for further advice.

Choice of procurement procedure

5. Four award procedures are provided for under the EU procurement regulations:
 - **Open Procedure**
All those interested may respond to the advertisement in the OJEU by tendering for the contract.
 - **Restricted Procedure**
A selection is made by use of a pre-qualification questionnaire (PQQ) of those who respond to the advertisement and only those selected are invited to submit a tender for the contract. This allows purchasers to avoid having to deal with an overwhelmingly large number of tenders.
 - **Competitive Dialogue Procedure**
Following an OJEU notice and a selection process, the Council enters into dialogue meetings with several bidders, to develop one or more suitable solutions for its requirements. During this process bidders are deselected at various stages before final tenders are called for. (A multi-stage and complex process which should not be used where Open or Restricted procedures could have been used)
 - **Negotiated Procedure**
The Council may select one or more persons with whom to negotiate the terms of the contract. An advertisement in the OJEU is usually required but, in certain circumstances, described in the Regulations, the contract does not have to be advertised in the OJEU. An example is when, for technical or artistic reasons or because of the protection of exclusive rights, only a particular person can carry out the contract. This procedure is used only exceptionally
6. Public authorities have a free choice between the open and restricted procedures. The competitive dialogue procedure is available where the contract cannot be awarded under open or restricted procedure. The negotiated procedure may only be used in the limited circumstances described in the EU procurement regulations.
7. Under restricted procedures, competitive dialogue and competitive negotiated procedures (those where a call for competition is required by advertising in the OJEU) there must be a

sufficient number of participants in the process to ensure genuine competition, with a minimum of *five* for restricted procedures and *three* for competitive dialogue and negotiated procedures.

Specification evaluation and award criteria

8. In all other respects the process follows the steps set out in the earlier section on tendering and you are required to complete preparation of your paperwork before the tendering process begins. Whilst some of the paperwork can be standardised it is important that Legal Services and the Procurement Team will work with you to devise award criteria based upon your specification for the services that are being procured

Standstill and post tender formalities

9. Following the evaluation of the contract and before formally awarding the contract to the successful bidder there will be a mandatory standstill period. This period begins once you have notified the unsuccessful bidders of your decision and the reasons for the differing scores. This is known as the 'Alcatel' or "Standstill" period and is bound by strict rules. See points 11 and 13 below as to when the Alcatel letter must be sent out.
10. The standstill period allows for the unsuccessful bidders to seek any feedback on their bids and to challenge the procurement process. You should therefore have prepared in advance any information about the evaluation process, the reasons for the differing scores and why the bidder was unsuccessful before the award of the contract is notified to the bidders.

Governance

11. The contract must be awarded by an authorised signatory on behalf of the Council. Your Director can award a contract up to £500,000 in value upon receipt of a contract award report. You must prepare an award report to authorise the award of the contract which must be sent to Legal Services, Procurement and Finance for approval before your Director signs off the report. The report must be signed by the Director or a senior officer with authority delegated from the Director. The Alcatel letter can be sent out at any time after your Director signs off the contract award report.
12. For contracts above £500,000 you will need to have a Key cabinet member decision notice (CMDN) approved by the relevant Cabinet member before award of the contract. All contracts of this value should also be on the Forward Plan. Contact the Governance team for further guidance.
13. The Key CMDN must be published in advance of being signed by the Cabinet Member. There is separate guidance on this process available from the Legal Services team. The Alcatel letter can only be sent out after the Cabinet Member has signed the Key CMDN. Once the Key CMDN has been published the bidders are likely to become aware of the successful bidder so you should aim to make them informally aware of the tender outcome and intention to issue the Alcatel standstill letter at the same time as the Key CMDN is sent

for publication. Confirmation of the award should follow once the call-in period has expired.

14. All contracts above £100,000 must be sealed in the presence of an Authorised Signatory and, once sealed, will be retained by Legal Services within the Deeds Room.

Contract formalities

15. There must be a sealed written contract in place between the Council and the contractor before the supply, service or work is started. If this requirement may cause difficulties, you should consult Legal Services. In exceptional circumstances, Legal Services may permit the contract to begin before the contract is sealed and measures can be put in place to protect the Council's position in the interim.

You must send the following documents to Legal Services to prepare and finalise the formal contract documents:

- Signed Director's Contract Award Report/Key cabinet member decision notice;
- Invitation to Tender (including the terms and conditions);
- Successful Contractor/Service Provider/Consultant tender submission;
- Any other documents you wish to include in the contract

47. Signed, Sealed contracts will be listed in the Council's contract register and placed in the Council's Deeds Room and you will be forwarded a contract number for future reference.

Section 3 – Getting the Contract in Place

Where contracts are high value or high risk you should consult with your department's senior accountant or senior financial officer as to whether some form of security, such as a bond or parent company guarantee is required from the contractor

Bonds

1. A performance bond is a written guarantee provided to the Council by a contractor's bank or insurer. It requires the contractor to deposit a sum of money with the bank or the insurer and is therefore usually only suitable for high value or high risk contracts. If the contractor does not do what it has promised under the contract, the Council can claim from the bank or insurer the sum of money which is specified in the performance bond.
2. A performance bond is intended to protect the Council against the costs that arise from the contractor's failure to perform the contract. You must assess the need for the bond by considering the risks to the Council, including the:
 - complexity of the contract relating to delivery;
 - capabilities of suppliers, service providers or contractors;
 - financial standing and security of suppliers, service providers or contractors.
3. In limited circumstances it may be necessary to have an on demand bond (effectively a cash bond), however there is a significant cost to these and they should only be sought in limited circumstances and following legal advice.
4. You should consider whether a performance bond or any other form of security is required where;
 - a contract for works, goods or services is estimated to exceed the EU threshold or
 - where it is proposed to make stage or other payments in advance of receiving the whole of the works, services or supplies
5. Should a performance bond or other form of security be required, you must identify this in the tender documentation. Contact the Contracts and Procurement Team or Legal Services for a template version of the performance bond.
6. You should not allow the contractor to commence the contract for the works, services or supplies until the bond has been provided to the Council.

Parent company guarantees

7. A parent company guarantee could be requested from the contractor as an alternative form of security to a performance bond but only where the contractor has a parent company.

8. A parent company is a company which owns a number of companies (known as subsidiaries). You should seek advice from the Procurement Team or Legal Services if you intend to request a parent company guarantee in any tender.
9. There are other lesser used forms of security that can be requested against the contract, such as cash, title deeds, debentures and legal charges. Please contact the Procurement Team or Legal Services for further advice if you need to consider these.

Contract documents

There are many different forms of standard contract. These are most frequently found in the construction industry (i.e. for works contracts) but others are also available.

The Legal Services team have knowledge of most standard forms of contract and also hold a standard set of terms and conditions which can be tailored to meet any forms of works, goods or services contract. These take account of the specific needs placed upon local government contracts e.g. freedom of information requests for contract documents and auditing obligations.

Requests for standard clauses and to discuss specific contractual requirements can be made by contacting Legal Services.

Section 4 – Changes to the Contract

This section sets out what you must do if

- you are unable to comply with any of the requirements of these Rules, or
- there is a change to the contract e.g. additional works have been identified after the contract has begun.

It is very important that you follow correct governance processes to authorise any changes to the contract or these Rules. In almost all cases you will require approval from your Director and other senior officers within the Council.

The Head of Legal Services is responsible for monitoring adherence to these Rules. Failure to obtain the correct authorisation at the appropriate time to deviate from these Rules may mean that you are in breach of your employment contract and oblige the Head of Legal Services to report repeated breach of the Rules to the Council.

Exemptions

1. It is the Council's policy that these Contract Rules should be complied with at all times. However, the Council recognises that circumstances may exist when it is not possible or desirable to comply with these Rules. On those occasions you may apply for an exemption from any or all of these Rules.
2. The fundamental principles of exemptions are that:
 - they should be used only in exceptional circumstances;
 - they are granted entirely at the discretion of the Executive Director of Strategic Resources, in consultation with the Head of Legal Services,
 - they should always be sought in advance of any purchasing as there is a general presumption that retrospective applications will not be approved, and
 - there is no automatic right to an exemption.
3. The Executive Director of Strategic Resources is accountable for giving appropriate approval to all exemptions and a record is kept of all those granted which is open to public inspection.
4. All exemption requests must be made in writing supported by justification for your application.

5. An exemption under this section **can never** be used where the total value of the contract exceeds the EU threshold. There are specific statutory exemptions which apply to contracts tendered under the EU process and you should always seek legal advice on these.

When may an exemption be allowed?

6. An Exemption may be allowed when:
 - You want to obtain quotations or tenders from fewer bidders than these Rules require (including a single bidder) because they are the only suppliers which can provide the services or goods or works you want to purchase;
 - You are working in partnership with another public sector body and you are satisfied that their procurement rules have been complied with in the letting of the contract;
 - You want to extend an existing contract which does not have provision for an extension and where a change of supplier would cause:
 - disproportionate technical difficulties;
 - excessive cost; and/or
 - significant disruption to services.
7. In all cases an exemption cannot be approved where the cost of the extension or contract exceeds the EU threshold.

Exemption procedure

8. To apply for an Exemption, you should complete an Exemption Report.
9. The Exemption Report should set out clearly the grounds on which you are applying for the Exemption and must specify which of the reasons listed above apply.
10. If there is information which you wish to keep confidential and not disclose to the public you should also complete an exempt annex. However, all local authorities are increasingly expected to disclose information to the public on the grounds of transparency and accountability. The Council will be allowed to withhold information only in exceptional circumstances where the interests of the Council or others may be severely damaged or compromised by disclosure.
11. The completed exemption report should be sent to Legal Services, Procurement and Finance for approval.
12. Once the required approvals have been obtained you must send the report to the Head of Legal Services and the Executive Director of Strategic Resources for formal approval of the exemption. Electronic approval will be sufficient.

13. The Executive Director of Strategic Resources is required to keep a register of approved exemptions.
14. In urgent circumstances, contact must be made with the Head of Legal Services and the Executive Director of Strategic Resources **before** taking entering any contract, to obtain an “in principle” decision. This means that, unlike usual procedures, the decision to award will follow after the contract has been awarded. Verbal authority given by the Executive Director of Strategic Resources will mean that the correct authority has been given for the contract, even though the paperwork will be retrospective.

Retrospective exemptions

15. An exemption to any of the Rules should never be sought retrospectively but exceptions to this principle will be allowed where:
 - It has been necessary to act urgently because of an unforeseen emergency which involves immediate risk of injury or damage or to prevent serious disruption to services.
 - it is necessary for an officer in Children’s Services or Adult Social Care to act immediately to secure care for any vulnerable person.
 - it is necessary to act urgently to secure a supply of goods eg Westcombe Engineering, where commercial offers are time limited and represent best value for the Council.
16. In both cases you should seek an ‘in principle’ decision from the Executive Director of Strategic Resources and the Head of Legal Services where possible, and the cost of the immediate action should not exceed the EU threshold. An exemption report should be completed as soon as reasonably possible after the contract has begun.

Assigning/Novating contracts

17. Assignment is the transfer of the benefit of contract to another party. The contract should detail the circumstances in which a contract can be assigned but if it does not you will need to consult Legal services on the process. Novation is the transfer of the rights, obligations and liabilities of an original party to an existing contract to a new party. You should contact Legal services on the form of the contract that should be used for the novation, which is usually in the form of a deed.
18. Where a contract is required to be assigned or novated you must first calculate the total value of the contract to determine the correct process.
19. Where a contract has a total value between £50,000 and £500,000 the assignment/novation will need to be approved by the following officers:

- Head of Legal Services; and
- Your Director (or if authorised, the Head of Service / Assistant Director)

20. Where a contract has a total value of more than £500,000 the assignment/novation will need to be approved by the officers listed above and:

- a credit check on the proposed contractor that the contract is to be assigned to have been carried out by Strategic Finance; and
- a Cabinet Member Decision Notice authorising the assignment/novation has been obtained; and
- a formal deed/notice of assignment, to be prepared by Legal Services, has to be entered into by the parties

Varying contracts

21. Variations of contract typically comprise:

- change in price, or
- change in service delivery or goods or works leading to a change in price

22. If the variation looks as if the original value of the contract is likely to be exceeded, the procedure for obtaining approval to the variation is as follows:

22.1 Non-EU procured contracts

- Increase is less than £50,000

The project/contract manager or officer must obtain approval to the increase in line with the authority listed in the quick reference guide.

- Increase is more than £50,000

In addition to obtaining the authority listed in the quick reference guide, the project/contract manager or officer must inform the Director of Strategic Resources (Internal Audit) immediately. This means that as long as the contract as varied is still under £500,000, it can be authorised by the relevant officer(s) referred to in the quick reference guide (subject to having informed Internal Audit). If the variation takes the contract value over £500,000 or if the original contract was over £500,000 and a key cabinet member decision notice was obtained for the contract, a further key cabinet member decision notice need not be obtained for the variation, unless Legal Services consider such a decision should be obtained.

22.1 EU procured contracts

Contact Legal Services for advice on whether the variation is likely to be treated as a new contract, requiring it to be re-tendered. If the advice from Legal Services is that the variation is unlikely to be treated as a new contract, the project project/contract manager or officer must follow the procedure outlined in the second bullet point of paragraph 22 above.

Section 5 – Ending the Contract

Terminating contracts

1. Where a contract is required to be terminated, other than by it expiring, seek advice from Legal Services.
2. Where a contract has a total value of between £50,000 and £500,000 the termination will need to be approved by the following officers:
 - Head of Legal Services; and
 - Your Director (or if authorised, the Head of Service / Assistant Director)
3. Where a contract has a total value of more than £500,000 the termination will need to be approved by the officers listed above and additionally
 - a Cabinet Member Decision Notice must authorise the termination and;
 - a termination notice must be issued to the contractor by Legal Services

Section 6 – Explanations

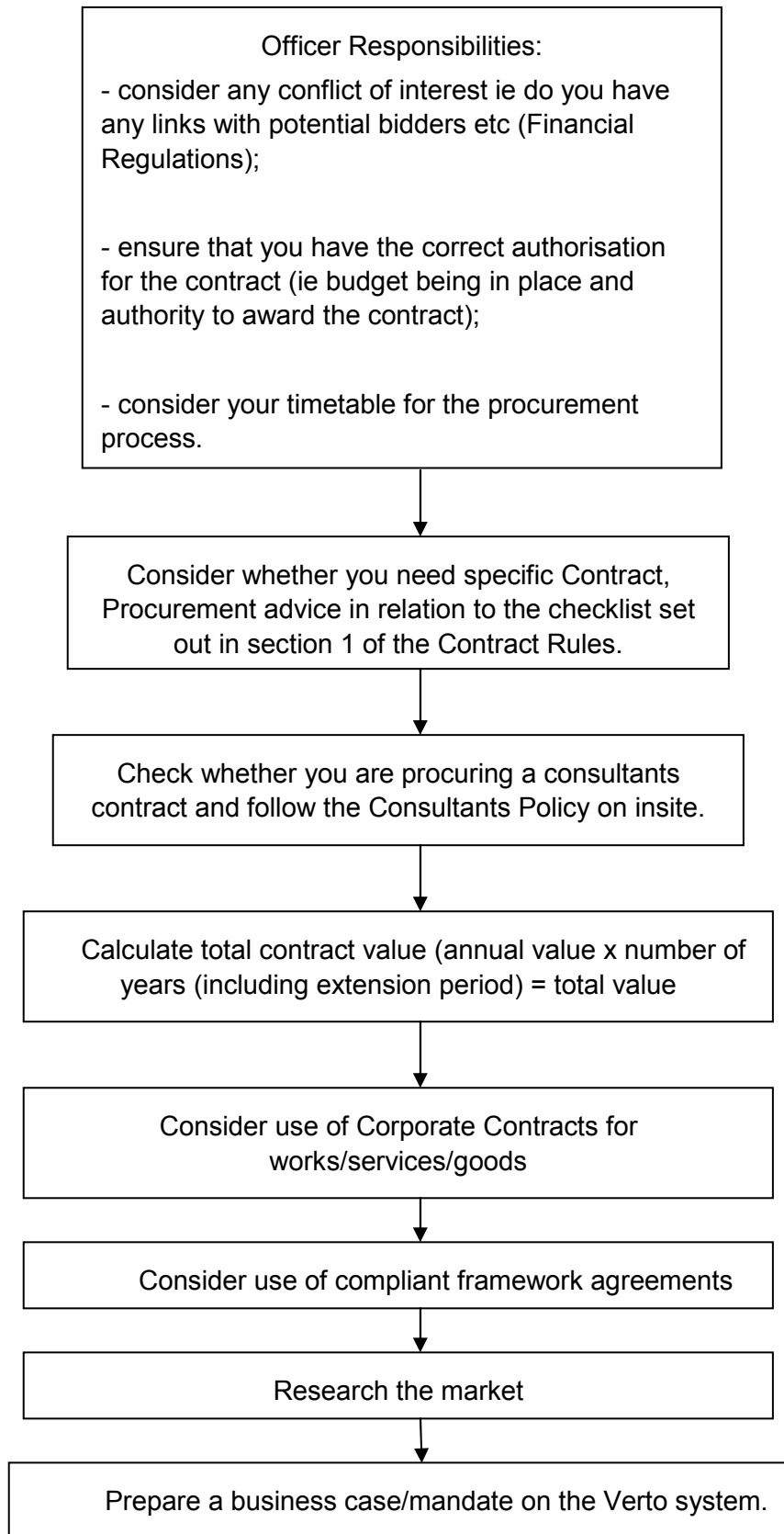
Glossary

Key terms in this section	Meaning
Authorised Signatory	Means the Chief Executive, Executive Director of Strategic Resources, Head of Legal Services (or delegated officers in Legal Services).
Business Case	A document that sets out the rational for undertaking a project and its costs, risks and benefits.
Constitution	<p>The Council’s constitutional document which;</p> <ul style="list-style-type: none"> - allocates powers and responsibility within the Council; - sets out delegations for its Executive including the cabinet members and delegation to officers; -sets out the rules of procedures, codes and protocols.
Delegated Authority	The process under the Constitution which sets out what senior officers of the Council are entitled to do in the Council’s name e.g. to enter contracts. Most Director’s will have delegated some of these powers to Heads of Service.
E-Sourcing	The researching and gathering of product or service information by electronic means, mainly by internet or email use.
EU threshold	The financial limit above which all tendering must follow a statutory procedure governed by EU directives. It applies to all public works contracts, public supply contracts and public service contracts which have a value excluding VAT estimated to be no less than the pre-established thresholds. The thresholds are recalculated by the European Commission every two years. See the Quick Reference Guide for the threshold amounts for the works, goods and services.
Financial Regulations	The regulations outlining the officer’s responsibilities relating to financial matters.

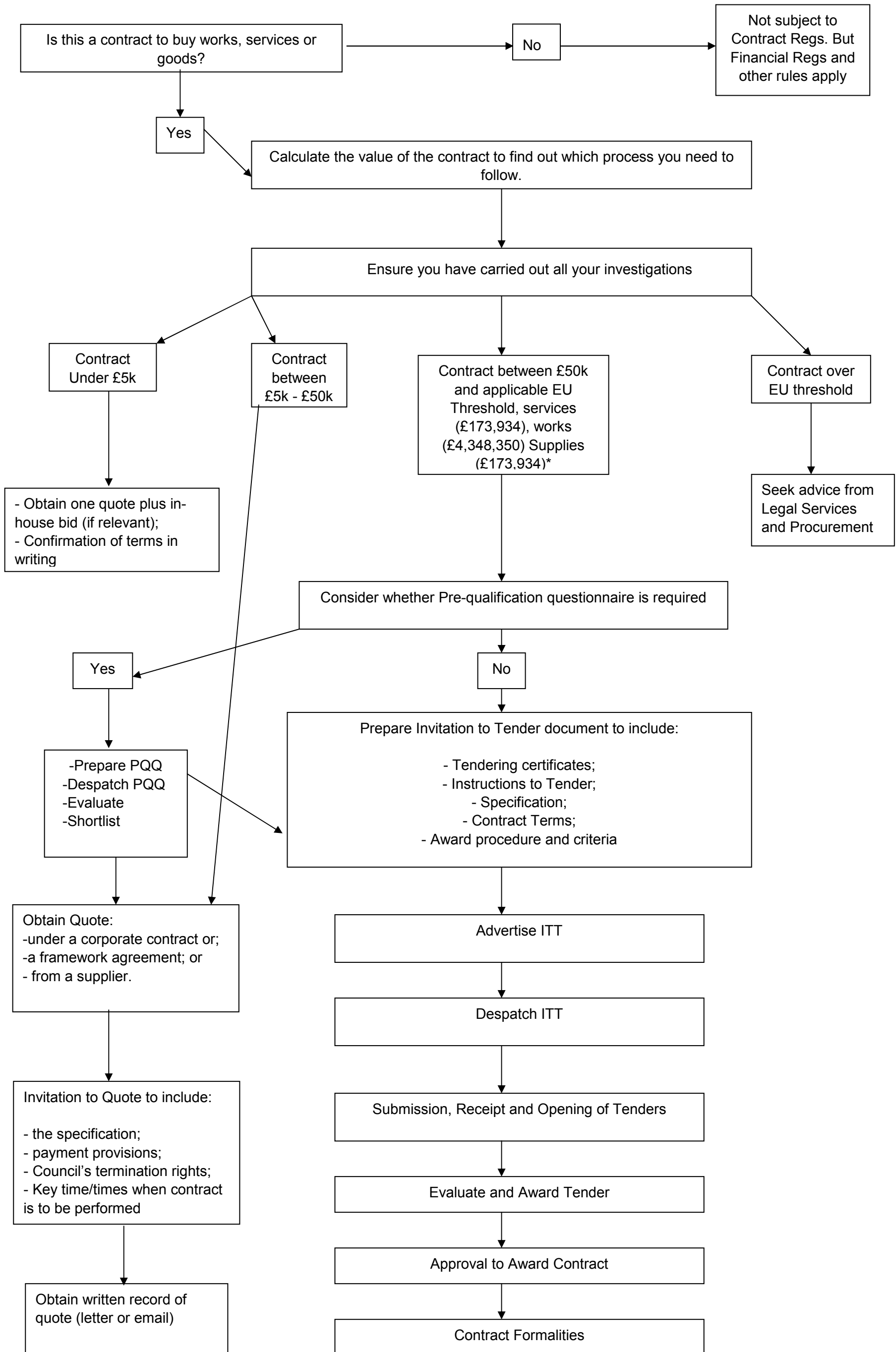
Forward Plan	A forward plan is a list of published forthcoming key decisions to be taken during the following three months.
Framework Agreement	A framework is an agreement with suppliers to establish terms governing contracts that may be awarded during the life of the agreement. In other words, it is a general term for agreements that set out terms and conditions for making specific purchases (call-offs).
Key Decision	Any spend over £500k will be a key decision and the procedures for a key decision must be followed.
OJEU	Official Journal of the European Union. Contracts that are above the EU threshold are required to be advertised by placing a notice in the journal.
Procurement Strategy	A strategy document setting out the Council's approach to procurement and priorities for the next few years.
Purchase order	The order placed on the Council's financial management software system (oracle) which commits funds to the contract.
State aid	State aid is a European Commission term which refers to forms of assistance from a public body or publicly-funded body, given to undertakings engaged in economic commercial activity on a selective basis, with the potential to distort competition and affect trade between member states of the European Union.

Flowcharts

Beginning the process – Flowchart



Contract Rules-Explanatory Flowchart



* These are latest figures as from 1 January 2012 to 31 December 2012

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AUDIT COMMITTEE	AGENDA ITEM No. 7
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Diane Baker, Head of Governance	☎ 452 559

COMPLIANCE TEAM ANNUAL REPORT 2012/2013

RECOMMENDATIONS	
FROM : Diane Baker, Head of Governance	Deadline date : N/A
Audit Committee is recommended to	
1. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues for the year ended 31 March 2013.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Committee as a scheduled report on fraud and irregularity in accordance with the established Work Programme 2012/2013.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The main purpose of this report is to provide an overview of the Council's approach to combating fraud, and its delivery over the period April 2012 - March 2013. This report is to be considered in accordance with its Terms of Reference 2.2.1.14 - *To monitor council policies on "raising concern at work" and the anti fraud and anti corruption strategy and the Council's complaints process.*

3. BACKGROUND

- 3.1 The United Kingdom public sector maintains high standards of probity and has a good reputation for protecting the public purse. Sound systems of public accountability are vital to effective management and in maintaining public confidence. Peterborough City Council shares these high standards and is committed to protecting the public funds entrusted to it. The minimisation of losses to fraud and corruption is essential for ensuring that resources are used for their intended purpose - that of providing services to the citizens of Peterborough.
- 3.2 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. In addressing this expectation, the Council has shown its commitment by creating a dedicated Investigation Team, which is tasked in investigating all allegations of fraud / impropriety, breaches in codes of conduct and high level complaints. The Compliance and Ethical Standards Team, which comprises corporate investigations, benefit fraud investigations and Information Management, has been in operation since 1st April 2007 – with the Information Management stream joining in January 2008.

- 3.3 The attached report (**Appendix A**) demonstrates the success of the Compliance Team and provides an insight into how this unique service will continue to operate as a key operation within the Council.

4. CONSULTATION

- 4.1 Consultation has taken place between the following parties:
- Executive Director of Strategic Resources (as the designated s.151 officer);
 - Head of Governance
 - Chief Internal Auditor

5. ANTICIPATED OUTCOMES

- 5.1 That the Audit Committee is informed of the proactive measures taken across the organisation to tackle and prevent fraudulent activity. Furthermore, this will assist in the development of future policies and procedures and allow the Committee to support this important function.

6. REASONS FOR RECOMMENDATIONS

- 6.1 To enable the Audit Committee to continue to monitor the Council's approach to the areas dealt with by the Investigations team and set out within this report.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The option is not to present a comprehensive report, which addresses the risk of fraud and identifies areas for improvement. This could result in a lack of awareness and a potential lack of support from the Audit Committee.

8. IMPLICATIONS

- 8.1 The implications of this report are that the Council will become more fraud aware and will continue to consider the risks and consequences of this type of abuse. The team have already created a positive profile and the quality of referrals has improved in accordingly. Fraud is unacceptable and requires a well thought through approach. The presumption must be about preventing fraud by designing systems to stop it happening in the first place but where it occurs, there should be an equal presumption that its perpetrators will face tough action. This can only serve to increase the standards of conduct in the Council.

9. BACKGROUND DOCUMENTS

(Used to prepare this report in accordance with the Local Government (Access to Information) Act 1985)

10. APPENDICES

Appendix 1 - Compliance Team Annual Report



**Compliance Team
Annual Report
2012-2013**

1 Introduction

Peterborough City Council, in common with all other public bodies, has an ongoing duty to protect the public purse. The main purpose of this report is to provide an overview of general and specific fraud issues that are of relevance to Peterborough City Council. Public sector standards of governance are high and the control systems are effective in minimising the exposure to fraud.

The council has clear anti-fraud and whistle blowing in place to ensure that we have a robust response to any allegation raised.

The council has a dedicated team, which considers all allegations of fraud and financial irregularity.

2 Quantity of Fraud

According to the National Fraud Authority's latest figures for 2012, fraud costs the UK over £73 billion a year, which equates to £1,460 per adult in the country per year. Fraud against the public sector costs £20.3 billion.

The Audit Commission's annual report entitled 'Protecting the Public Purse', which covers 2011 to 2012, sets out its estimate of local authority losses to a variety of fraud.

<u>Type of fraud</u>	<u>Estimated loss</u>
Housing/tenancy fraud	£900m
Procurement	£890m
Housing Benefit	£300m
Payroll	£153m
Council Tax	£131m
Blue Badge	£46m
Grants	£41m
Pension	£5.9m

Although Peterborough City Council does not have its own housing stock, the Compliance Team is working with Cross Keys Homes, as the city's largest social landlord, and other local authorities in Cambridgeshire to tackle risks associated with housing/tenancy fraud. A fraudulently obtained or misused property affects those in genuine need and may lead to other frauds being committed against the council. The Compliance Team already works with the council's own Housing Options team to tackle fraudulent applications at the outset.

During 2012-2013, the Compliance Team received details of six potential fraud or financial internal irregularities for investigation, all of which proceeded to a full investigation, with three remaining under investigation.

It can be seen from the chart below that the numbers of corporate case referrals, i.e. non benefit fraud, have stayed around the same for this reporting

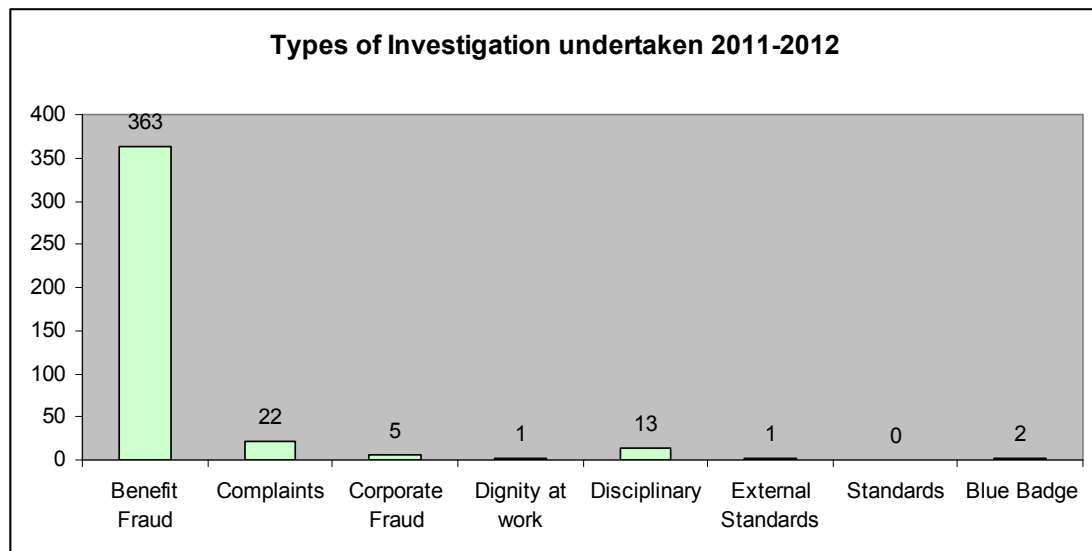
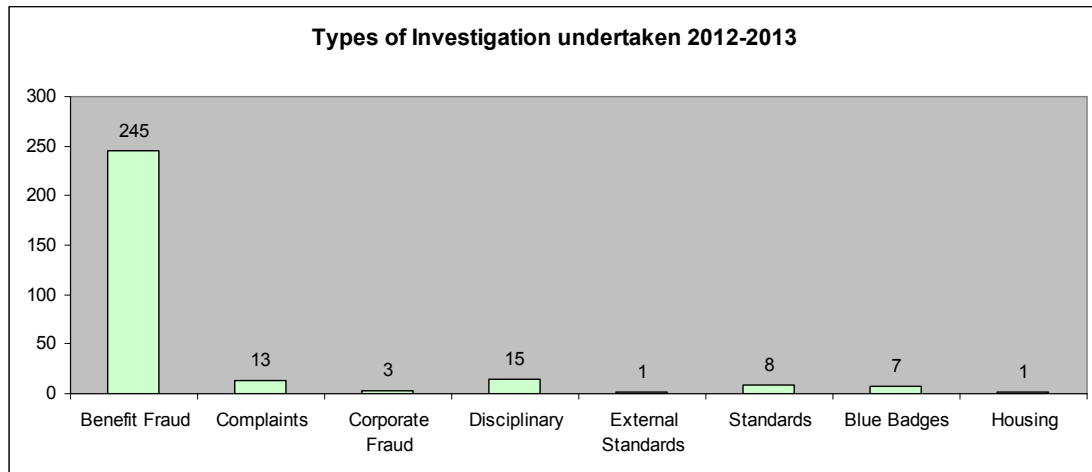
Compliance Team Annual Report 2012-2013

year but there has been an increase in the number of member standards cases investigated by the team.

The Compliance Team also investigated seven cases of potential Blue Badge misuse which represents an increase on the previous year. All allegations of Blue Badge misuse are considered on their merits and the evidence supplied in support of the allegation. Two individuals were prosecuted for misuse of Blue Badges.

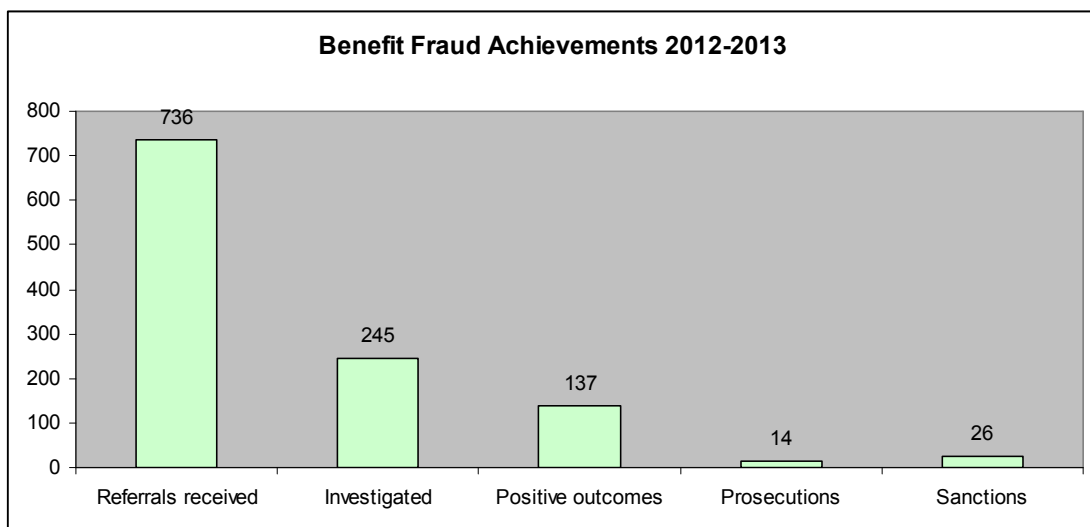
Additionally, 736 allegations of benefit fraud were received as opposed to 970 referrals in 2011-2012. Following a strict risk assessment, 245 were investigated. 137 cases resulted in a positive outcome which shows that the team has achieved a 55% success rate in the investigations carried out - this is an improvement of 8% on the previous year.

Types of investigations undertaken during 2012-2013 are detailed in the chart below:



4 Housing and Council Tax Benefit

Benefit fraud will always be the greatest risk faced by local authorities owing to the high volumes of payments and complexities of legislation. The number of referrals has decreased from the previous year however this is due to a decrease in the number of data matching referrals received from the DWP. The Compliance Team continues to work closely with the Benefits Service to reduce the incidence of fraud and error within the benefits system. The chart below highlights the success of the Compliance Team in 2012-2013:



There has been a decrease in the number of prosecution and sanctions in 2012-2013 which is attributable to one full time investigator being absent through long term sickness and another being absent on maternity leave. Despite this, the team uncovered a higher amount overall of overpaid benefits

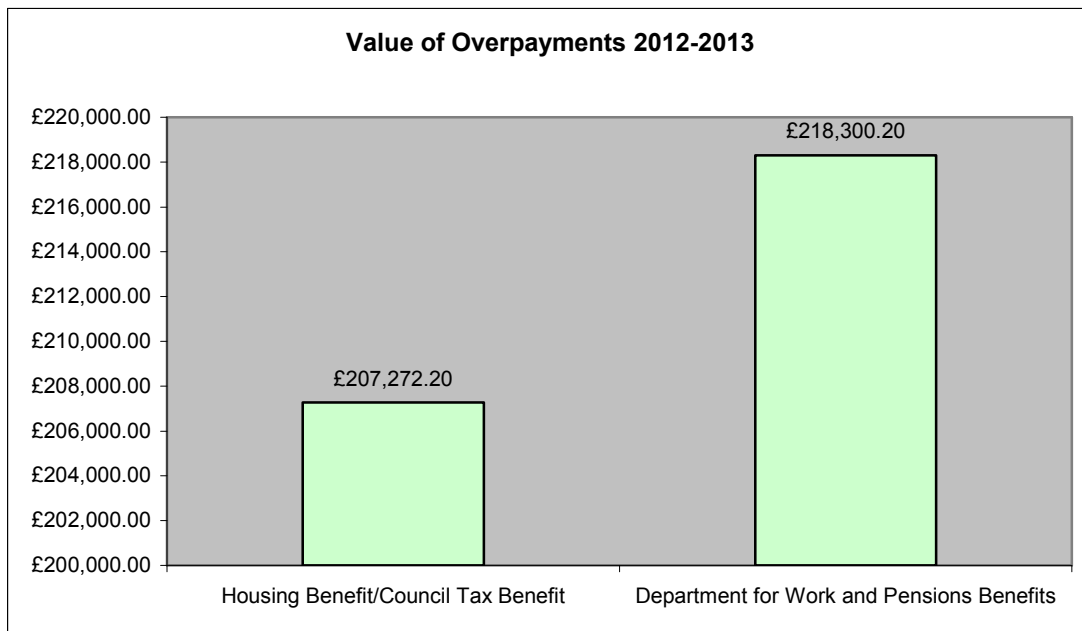
Compliance Team Annual Report 2012-2013

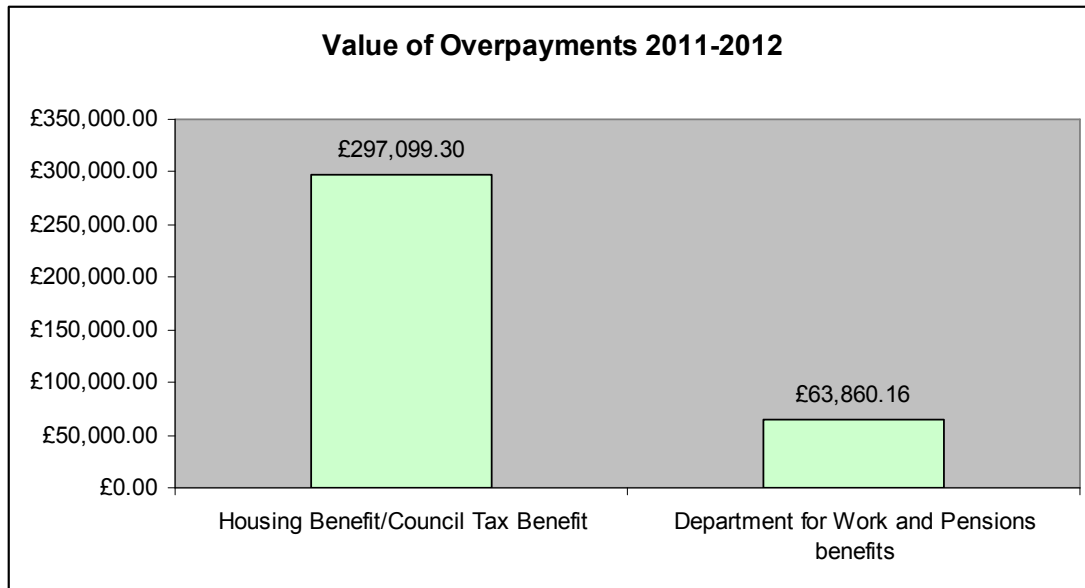
and maintained the same percentage of successful sanctions despite a smaller number of investigations.

A prosecution is the most visible of all the sanctions available to the team and each prosecution will be publicised. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the council's fraud hotline and dedicated fraud email address. Although only 14 prosecutions were completed within the year, a further 16 were lodged with prosecutors and are awaiting court dates. Since 1 April 2013, court dates have been confirmed for six of these matters.

It is important to note that any referrals that do not qualify for investigation after the risk assessment process are not ignored; these cases are either referred to our colleagues at the Department for Work and Pensions or referred internally for a visit to be undertaken by officers within the Benefits Service.

The value of fraudulent benefit uncovered by the team is shown below:





The overall value has risen over the year and includes two cases where the total DWP overpayment totalled almost £150,000.

An example of a successful investigation is outlined below:



A benefits customer claimed Housing Benefit and Council Tax Benefit on the basis that he was self employed and his wife also had a low income. A referral was received via data matching which suggested that he had two undeclared non dependants living with him. Through an investigation into his claim, the investigator established that not only had he failed to declare his son and his son's partner, but had also failed to declare two annuities, an occupational pension, two periods of employment for him and undeclared employment for his wife. This resulted in the customer being overpaid over £5,000. He pleaded guilty and was ordered to carry out 180 hours unpaid work and repay all of the monies.

5 National Fraud Initiative

In January 2013, the Audit Commission released its latest National Fraud Initiative matches in respect of council data, which had been matched against a number of public sector agencies and central and local government. The Compliance Team is currently working through these matches to identify any irregular claims.

6 Blue Badges

The Compliance Team has continued to administer the Blue Badge scheme and 2012-2013 saw the introduction of independent medical assessments to ensure that badges are supplied to those in genuine need.

The team has also continued to investigate allegations of Blue Badge misuse and prosecute where there is sufficient evidence to do so. This year, we have prosecuted two individuals for misuse.



A Civil Enforcement Officer identified a Blue Badge being displayed in a car parked in the city centre. On inspection, it transpired that it belonged to the driver's father-in-law. An investigation established that the driver had used the badge despite his father-in-law passing away some 12 months earlier. He pleaded guilty to the charges, was fined £150, ordered to pay £150 costs and a £20 victim surcharge.

7. Electoral Integrity Initiative

The Chief Executive has continued to make it a priority to take strong and effective action to counter electoral fraud in Peterborough. The Head of Governance is a member of the Electoral Commission's Integrity Roundtable and joins forces with other key officers and stake-holders to maintain a robust stance against abuse of the system. A strong partnership approach between Peterborough City Council and Cambridgeshire Constabulary has also continued to thrive with both organisations holding regular meetings and sharing good practice. The Compliance Team is a key component in this approach through its work in proactive visits, data matching, postal voting operations and analysis.

The Council's good work has been recognised by the Electoral Commission and the Cabinet Office in national reports and the Compliance Team has received several requests to present to national meetings on its approach to electoral integrity.

7. Other Investigations

A number of other investigations have been undertaken by the team during 2012-2013:

- Disciplinary Cases:
 - 15 cases of alleged disciplinary breaches were investigated which included two investigations carried out on behalf of another local authority. The results of these include dismissals, final written warnings, verbal warnings and resignations.
- Stage 3 Complaint Investigations
 - 13 cases were referred to the team for investigation. This is a decrease on previous years and reflects a reduction in complaints against the council reaching Stage 3.
- Member Standards Investigations:
 - A number of internal cases were investigated in addition to one external matter. The team continues to operate under the new

Compliance Team Annual Report 2012-2013

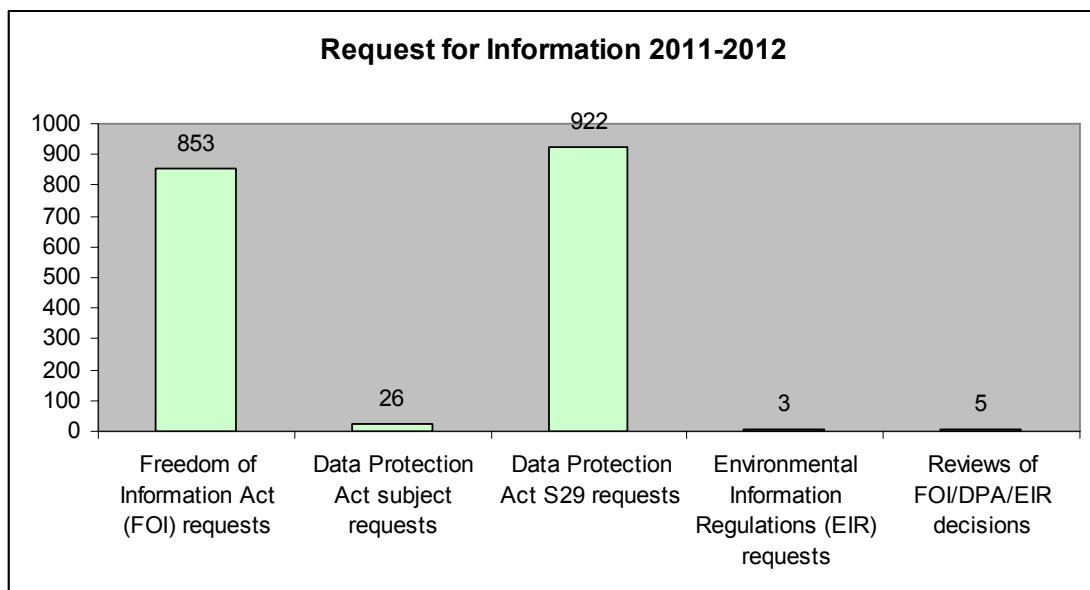
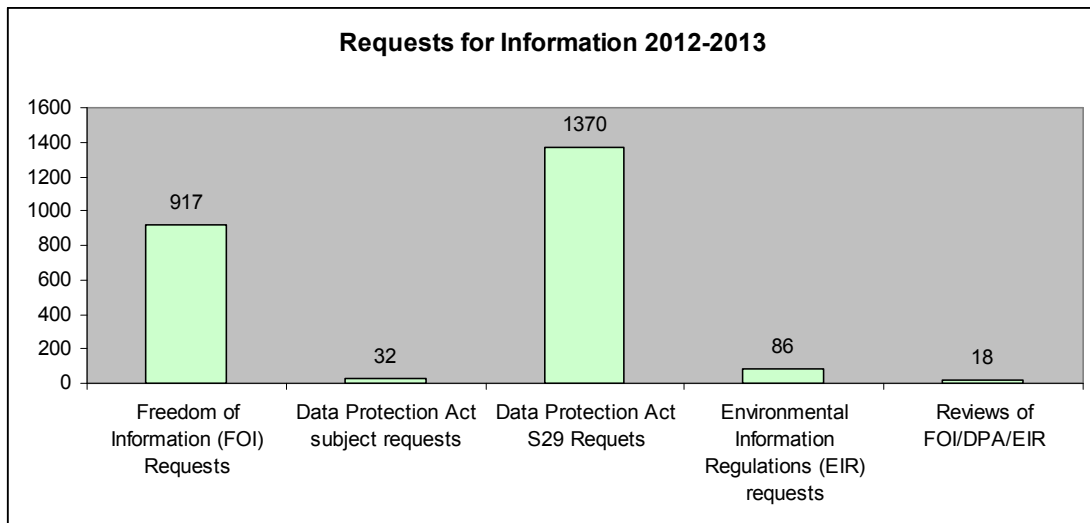
standards regime as well as maintaining a service to other councils where required.

During 2012-2013, the team has received a number of compliments on the high standard of its work from directors, chairs of committees, members and clients.

8. Information Governance

The team continues to manage Freedom of Information (FOI), Environmental Information Regulations (EIR) and Data Protection responses, both subject access requests and section 29 responses.

The council (through the Compliance Team) received and responded to the following requests for information during 2012-2013:



FOI continues to be an expanding area of work for the team in terms of volume, sensitivity and complexity. The volume has risen by 7.5% on FOI requests alone along with a huge increase in the number of EIR requests received.

The team is also leading on data protection and awareness of the council's responsibilities through the Data Protection Action Group. This key area of work involves providing advice and guidance to service areas on how to improve data security. Information governance is a key area for the Council and the Compliance Team will play a leading role in delivering data assurance in the coming year.

8 Conclusion

Counter fraud activity remains a priority for the council and there continues to a successful approach to dealing with this risk. Frequent commissions by other local authorities to undertake external investigations for both standards and disciplinary matters are testament to the success and professionalism of the team.

Benefit fraud continues to be a significant fraud issue facing the council in terms of both financial value and workload. The team continues to build upon its robust delivery in this area and is also expanding its knowledge in other areas of fraud such as electoral integrity, social housing and housing applications.

The Information Management function has continued to see an increase in the number of FOI and EIR requests. This has been addressed through a review of the service and additional resources being deployed to tackle the increase in volumes. We will continue to lead on information governance issues to ensure the council is compliant with the necessary legislation.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Diane Baker, Head of Governance	☎ 452 559

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) QUARTERLY REPORT FOR 1ST APRIL 2013 TO 30TH JUNE 2013

RECOMMENDATIONS	
FROM : Paul Phillipson, Executive Director - Operations	Deadline date : N/A
Audit Committee is asked to	
1. Receive, consider and endorse this report on the use of RIPA for the three months from 1 st April 2013 to 30 th June 2013.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Committee as a scheduled report on the Council's use of RIPA in accordance with the established Work Programme 2013 / 2014.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide an overview of the Council's use of RIPA powers in the three months from 1st April 2013 to 30th June 2013. This report is to be considered in accordance with its Terms of Reference 2.2.1.14 - *To monitor council policies on "raising concern at work" and the anti fraud and anti corruption strategy and the Council's complaints process.*

3. BACKGROUND

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS) e.g. undercover agents. It now also permits Public Authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It seeks to ensure that any interference with an individual's right under Article 8 is **necessary and proportionate**. In doing so, RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.
- 3.2 Council officers and external agencies working on behalf of Peterborough City Council must comply with RIPA and any work carried out must be properly authorised by one of the Council's Authorising Officers. The powers contained within the Act can only be used for the purpose of preventing or detecting crime or preventing disorder.

- 3.3 The Council has established strong governance around the use of RIPA and provides assurance to the citizens of Peterborough that the powers are only used where necessary and proportionate and in accordance with the law.
- 3.3 There have been no applications for the use of directed surveillance during the three month period.
- 3.4.1 The following table provides a breakdown for access to communications data, such as the subscriber of telephone numbers, between 1st April 2013 to 30th June 2013. The below application was the first made following recent changes to legislation and as such was subject to judicial approval.

Date of application	Type of Communications Data	Reason	Outcome
9 th April 2013	Subscriber details of a mobile phone number	Investigation into an allegation of unlicensed practice.	The enquiry identified the operator concerned and established a link with the unlicensed driver. Files have been submitted to Legal for prosecution.

4. CONSULTATION

- 4.1 Consultation has taken place between the following parties:
 - Head of Legal Services
 - Executive Director of Operations (as the Senior Officer with oversight for RIPA); and
 - Chief Internal Auditor

5. ANTICIPATED OUTCOMES

- 5.1 That the Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority.

6. REASONS FOR RECOMMENDATIONS

- 6.1 There are no recommendations contained within this report.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The option is not to present an annual or quarterly report, which details the use of RIPA. This could result in a lack of assurance and a potential lack of support from the Audit Committee. Failure to report usage for Member review contravenes the RIPA Codes of Practice.

8. IMPLICATIONS

The implications of this report are that the Council will become more aware of RIPA and its value to the Council’s many enforcement teams. The Council has already created a positive profile and has been congratulated on its adherence to the legislation by the Office of Surveillance Commissioners.

AUDIT COMMITTEE	AGENDA ITEM No. 9
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources	☎ 452398
	Steven Pilsworth, Head of Strategic Finance	☎ 384564

2012/13 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS

RECOMMENDATIONS	
FROM : John Harrison, Executive Director Strategic Resources	Deadline date : 23 September 2013
The Audit Committee is asked to:-	
<ol style="list-style-type: none"> 1. Receive and approve the “Report to those charged with governance (ISA260) 2012/13 Audit” from PricewaterhouseCoopers (PwC), the Council’s external auditors. 2. Receive and approve the audited Statement of Accounts 2012/13 	

1. ORIGIN OF REPORT

- 1.1. This report is submitted to Audit Committee following the external audit on the Statement of Accounts 2012/13 by PricewaterhouseCoopers (PwC). This report is required to be considered by the Audit Committee on behalf of the Council by 23 September 2013.
- 1.2. This is in accordance with the Committees Terms of Reference – 2.2.19 to review the annual statement of accounts and 2.2.20 to consider the external audit report to those charged with governance on issues arising from the audit of accounts.
- 1.3. This report follows on from the consideration of the Council’s unaudited Statement of Accounts by this Committee on 24 June 2013
- 1.4. This report is submitted by the Council’s Section 151 Officer, the Executive Director Strategic Resources, as part of his statutory duties.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for the Audit Committee to:
 - Receive and note the “Report to those charged with governance (ISA260) 2012/13 Audit” from PwC on behalf of the Council.
 - To receive and approve the audited Statement of Accounts.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. 2012/13 REPORT TO THOSE CHARGED WITH GOVERNANCE

- 4.1. The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260.
- 4.2. The ISA260 report for 2012/13 from PricewaterhouseCoopers (PwC), our External Auditors is attached at Appendix 1.
- 4.3. With the implementation of International Reporting Standards (IFRS) during 2010/11 the audit approach taken by the auditors has been amended and requires the auditors to undertake additional audit procedures on areas of the accounts where the Council uses experts in order to derive estimated values. For the Council the significant areas of the accounts this affects are asset valuations, such as property, land and investments, and with pension fund accounting treatment.
- 4.4. There are a number of sections within the ISA260 report as follows:
- a) **Executive summary** – describes the purpose of the report, and gives a summary of the Audit. The Council has continued to provide good quality working papers ready for the audit commencement and working alongside PwC colleagues has resulted in an efficient and effective audit which in turn has led to earlier audit milestones being achieved.
 - b) **Audit Approach** – notes two significant risks that are common in all audits undertaken and notes that PwC found no matters to report to the Audit Committee.
 - c) **Significant audit and accounting matters** – this section forms the main content of the report, and consists of a number of subsections, a number of these are summarised below:
 - Accounts – PwC have been able to complete the majority of the audit with three items that remain outstanding at the time the report is written. The items listed represent one area of work the audit team are required to complete relating to the Pension Fund and two approvals which are required at this meeting. These items are outstanding due to the timing of writing the report rather than from delays caused through a lack of information from Council officers.
 - Accounting Issues – four areas are highlighted (considered in greater detail in 4.5) :
 - Accounting for the construction of new academy schools
 - Valuation of property
 - Accounting for the Local Authority Mortgage Scheme (LAMS)
 - Estimation of the pension liability, for the Local Government Pension Scheme
 - Misstatements and significant audit adjustments – LAMS is the only item reported in this section and is a result from difference in opinion on the technical accounting treatment, see 4.5 for additional information.
 - Economy, efficiency and effectiveness – the report notes that an unqualified value for money conclusion is anticipated to be issued.
 - d) **Internal Controls** – there were no significant internal control deficiencies found during the audit. Minor control issues will be reported to management and this report along with agreed action plans will be presented to the Audit Committee.
 - e) **Risk of Fraud** – PwC are seeking members' confirmation that there have been no changes to their view of fraud risk and no additional matters have arisen that should be brought to their attention.
 - f) **Fees update** – fees are currently in line with proposals.
 - g) **Appendix** – a copy of the letter of representation for the Councils S151 officer to sign (Appendix 2 to this report).

4.5. The following table provides further detail on the Accounting Issues raised in the PwC report, and associated comments from the Council:

PwC Report	Management Comment
<p>1. Accounting for the construction of new Academy schools</p> <p>During the year, the Authority has been constructing two new academy schools; the City of Peterborough Academy and the Thomas Deacon Junior School which are part funded by Department of Education grants. These two academies will transfer to Greenwood Dale Academies Trust upon completion in June 2014. The Authority initially capitalised this expenditure and then impaired this to nil, as the assets will be owned by the Authority only until the transfer date, will not receive the economic benefit from the assets.</p> <p>PwC have reviewed the substance of each transaction and determined that in accordance with the CIPFA Code the capital expenditure incurred in relation to the academies should instead be treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). REFCUS would be recognised within the Comprehensive Income and Expenditure Statement in the period in which it is incurred. A transfer is then made from the Capital Adjustment Account so there is no impact on the balance of the General Fund.</p>	<p>Academies are the responsibility of Government and as such do not form part of the Council's asset base and are not included on the Balance Sheet. The issue being reported by PwC relates to the accounting treatment of the capital expenditure incurred by the Council during 2012/13 for the development of these schools.</p> <p>The Council proactively opened dialogue with PwC on this technical accounting issue mid May in advance of closing the Council's accounts by the end of June. At this time PwC indicated that this issue needed to be referred to their internal technical department.</p> <p>Due to the timescales involved in closing the Council's accounts and receiving no further guidance on treatment, the Council stated to PwC the accounting treatment and logic it would be using for these transactions.</p> <p>In August 2013, as part of the audit of the accounts, PwC were able to confirm the correct accounting treatment. The Council agreed and subsequently amended the accounts accordingly.</p> <p>This amendment resulted in a presentational change in the Comprehensive Income and Expenditure Statement (CIES) as £7.7m of grant income was transferred from the 'Taxation & Non-Specific Grant Income' line to 'Education & Children's Services' line. Supporting notes to the main financial statements have also been amended.</p>
<p>2. Valuation of property</p> <p>The Authority has utilised the expertise of external valuer in evaluating the valuation of the Authority's property, plant and equipment (PPE) and investment properties.</p> <p>Our internal valuation experts have reviewed the assumptions and methodologies used by the Authority's external valuer. We draw your attention to the following in relation to these assumptions:</p> <ol style="list-style-type: none"> 1. Depreciation and Useful Economic Lives (UEL) – the assumptions on the remaining lives were considered to be simplistic and should reflect the specific characteristics of the property. 2. Modern Equivalent Asset Basis - valuations calculated by the external valuer assume the replacement of existing property. The Royal 	<p>The Code requires the Council's S151 Officer to ensure that adequate valuations are provided to support the Council's financial statements in relation to PPE and investment properties.</p> <p>To comply with this the Council, through the use of its partners Serco, commission external valuers to value the Council's properties on a rolling four year programme.</p> <p>The Council uses the valuers Wilks Head and Eve (WHE), who are a national and professionally qualified Royal Institution of Chartered Surveyors (RICS) firm.</p> <p>PwC obtain valuation advice from their internal valuers on the suitability of the valuation approaches used by WHE.</p> <p>The Council has assessed the points made by PwC and have concluded that the valuations</p>

PwC Report	Management Comment
<p>Chartered Institute of Surveyors (RICS) guidance stipulates that the valuation should be undertaken on a Modern Equivalent Asset basis (MEA). Modern Equivalent means “replacement of an existing asset with a more technically up to date asset today, and provide the same level of service as any existing asset”.</p> <p>3. Apportioning land values – The external valuer has used an approach of apportioning land values as a percentage of building costs in their valuation. However, PwC valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.</p>	<p>in the Council’s accounts are prudent. However, the Council will ensure that the points covered by PwC will be discussed further with the valuers to ensure mitigating actions are in place for the 2013/14 accounts.</p>
<p>3. Accounting for the Local Authority Mortgage Scheme</p> <p>The Council has treated its payment of £1m to Lloyds as capital expenditure. The justification for this treatment is regulation 25(1)(b) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, which defines as capital expenditure “... <i>the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure</i>”.</p> <p>We consider that an alternative interpretation of statute may be appropriate as, although the lender would not have made its loan to the borrower without the Council having placed money on deposit with it, the Council may not have a relationship with the borrower making the house purchase sufficient for regulation 25(1)(c) to be effective.</p>	<p>This issue is the same issue raised following the 2011/12 audit. The ISA260 report from that year recommended that the Council keep its accounting arrangements under review as statute and/or the CIPFA Code may change and require adoption of a different accounting treatment.</p> <p>No such changes have occurred and therefore the Council has maintained the same the accounting treatment as used in 2011/12.</p> <p>In summary, the substance of the transaction is to facilitate a greater amount of loan to a mortgagor than would otherwise be available. It would not be within an authority’s powers to designate the payment as an investment.</p> <p>The Councils interpretation is that the payment is a loan / financial assistance <i>towards</i> expenditure which would, if incurred by the authority, be capital expenditure. If a local authority were granting a loan for house purchase, it would be treated as capital expenditure.</p> <p>As per the previous year, if the statute or Code of Practice changed, then the Council would revisit its approach. Therefore the Council has not amended the accounts as suggested in the PwC report in Appendix 1 as it does not believe this amendment would reflect the substance of the transaction. As the amount involved is not material in the context of the truth and fairness of the accounts as a whole, there is no impact of this on the audit opinion.</p>
<p>4. Estimation of the pension liability</p> <p>We have also received a report from the auditors of the Cambridgeshire County Council Pension Fund in August 2013, summarising their work on the pension fund as a whole. This report highlighted that the</p>	<p>The Council uses figures, provided by the Cambridgeshire County Council (CCC) Pension Fund appointed actuary, to derive the accounting entries use in the Council’s statement of accounts.</p> <p>Due to the timing involved with producing the</p>

PwC Report	Management Comment
<p>fair value of the whole pension fund as at 31 March 2013, as provided by the scheme actuaries Hymans Robertson LLP (“Hymans”), was £1,967m. However, the audited assets of the pension fund at this date were £1,904m, resulting in a difference of £63m between estimated and actual total fund assets as at the balance sheet date.</p> <p>In accordance with the CIPFA Code section 6.4.1.11, formal valuations are performed every three years with approximate assessments adjusting the full valuation results using the latest membership data in intervening years.</p> <p>Both the IAS19 asset derived from the actuary’s report and the notional share of fund assets are deemed to be estimates. The notional share of the fund assets is calculated as part of the full valuation, and then used as part of the actuary’s model for calculating the assets attributable to an admitted body until the next full valuation, the actual percentage in the intervening periods may differ from this and the percentage is therefore an estimate.</p> <p>Whilst we may know the audited value of the pension fund assets in the intervening years, applying the notional share of the assets to calculate the value attributable to an individual admitted body is itself an estimate (as the percentage may have changed), and the percentage applied is the more sensitive variable.</p>	<p>statement of accounts, the actuary uses a number of estimates in its production of the report that is used by the Council. This is a standard and common approach across all Councils.</p> <p>Following on from the audit of the CCC pension fund, completed by a different PwC team during August, the issue detailed has arisen.</p> <p>The Council’s pension note, as contained in the Statement of Accounts (Note 7), provides full transparency of the estimation techniques the CCC Pension fund actuary uses. That triennial valuation of the fund is completed regularly, and any differences resulting from the use of estimates are adjusted for as part of the regular full valuation exercise.</p>

5. MANAGEMENT REPRESENTATION LETTER

- 5.1. The Executive Director Strategic Resources, as Chief Finance Officer, is required to make representations on behalf of the Council in a number of areas in relation to the preparation of the Statement of Accounts. The letter is attached at Appendix 2 for review by Audit Committee.

6. STATEMENT OF ACCOUNTS 2012/13

- 6.1. The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the presentation of the Statement of Accounts in both June and September to Audit Committee, and also through the completion of a successful external audit process.
- 6.2. As noted in the PwC report, the Council has established a good track record of preparing quality draft accounts and electronic working papers and this good practice has again continued for the 2012/13 accounts. Further improvements have been made by the Council by implementing an electronic, integrated Asset Register which in turn enhanced the Council’s capital working papers, and enabled a quicker closure process by the Corporate Accounting Teams. This subsequently enabled the audit process to be completed more efficiently with the number of additional auditor queries kept to a minimum, and an earlier

Audit Clearance meeting to take place 14 August 2013 compared to 5 September 2012 last year.

- 6.3. The draft Statement of Accounts was considered by Audit Committee on 24 June 2013 and has subsequently been the subject of external audit by PwC.
- 6.4. Following the external audit two minor presentational amendments have been made to the draft Statement of Accounts (presented to Committee in June) with regards to the accounting treatment for the construction of new Academy schools, see 4.5 for details, and with the pension fund balance so that it matches the Actuary report balances. This outcome is a credit to all the staff involved in the production of the Statement of Accounts, and thanks are extended to all staff who contributed to the closure process, either directly or indirectly.
- 6.5. The audited Statement of Accounts for 2012/13 is attached at Appendix 3 for formal approval by the Audit Committee.

7. CONSULTATION

A clearance meeting was held 14 August 2013 where PwC outlined their key findings and the Executive Director Strategic Resources, as part of his role as the Council's S151 Officer, was able to challenge those findings. The PwC report was discussed with the Council's finance team during the period 11 to 13 September 2013.

8. ANTICIPATED OUTCOMES

As set out in the report.

9. REASONS FOR RECOMMENDATIONS

Paragraph 2.2.19 of the Constitution requires the Audit Committee to "review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."

10. ALTERNATIVE OPTIONS CONSIDERED

The Statement of Accounts has been prepared in accordance with the Code and hence there are no alternative formats.

11. IMPLICATIONS

There are no legal or financial implications of this report.

12. BACKGROUND DOCUMENTS

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Council Constitution

13. APPENDICES

- Appendix 1 - ISA260;
- Appendix 2 - Management representation letter being; and
- Appendix 3 - Statement of Accounts.

Peterborough City Council

Report to those charged with governance

Report to the Audit Committee of the Authority on the audit for the year ended 31 March 2013 (*ISA (UK&I) 260*)

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Government and
Public Sector

September 2013

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2013; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 24 September 2013.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- completion of our testing on the local government pension scheme;
- approval of the Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 23 September 2013. Attending the meeting from PwC will be Chris Hughes and Jacqui Dudley.

Acknowledgements

We would like to thank John Harrison, Steven Pilsworth, Kirsty Nutton, Carole Coe and their team for the considerable help and assistance provided to us during the course of our audit.

We note that the first draft of the accounts provided to us at the commencement of the audit was of a good quality. The working papers supporting the audit trail from the general ledger to the accounts were also of good quality.

We worked with management to deliver the audit in a shorter timescale than in the previous year and we were able to complete our audit work in accordance with the timetable we agreed with management. Audit queries were answered promptly.

We were also pleased that the issues noted in the prior year in respect of capital accounting and the fixed asset register had been resolved.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Audit approach

Our audit plan noted that Auditing Standards require us to include two risks as significant in all audits. We have summarised below these risks and the audit approach we took to address them. No further significant audit risks have been identified.

Risk	Categorisation	Audit approach
<p>Fraud and Management Override of Controls</p> <p><i>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</i></p>	Significant	<p>We have performed procedures to:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries; • review accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; and • introduce an element of ‘unpredictability’ into the audit which varies year to year. <p>We found no significant matters to report to you in this context.</p>
<p>Recognition of Income and Expenditure</p> <p><i>Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.</i></p>	Significant	<p>We have performed procedures to:</p> <ul style="list-style-type: none"> • obtain an understanding of revenue and expenditure controls; • evaluate and test the accounting policy for income and expenditure recognition to ensure that it was consistent with the requirements of the Code of Practice on Local Authority Accounting; and • test revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk. <p>We found no significant matters to report to you in this context.</p>

Our risk assessment remains the same as the audit plan we presented to you in March 2013.

We have summarised our response to those risks for your audit.

Your main accounting issues relate to:

- *Accounting for new academy schools;*
- *Valuation of property;*
- *Accounting for the Local Authority Mortgage Scheme; and*
- *Accounting estimates for pensions.*

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- completion of our testing on the local government pension scheme;
- approval of the Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Accounting issues

There are four matters that we wish to draw to your attention:

1. Accounting for the construction of new academy schools;
2. Valuation of property;
3. Accounting for the Local Authority Mortgage Scheme; and
4. Estimation of the pension liability for the Local Government Pension Scheme.

1. Accounting for the construction of new Academy schools

The Authority proactively raised this matter with us in May 2013. During the year, the Authority has been constructing two new academy schools; the City of Peterborough Academy and the Thomas Deacon Junior School which are part funded by Department of Education grants. These two academies will transfer to Greenwood Dale Academies Trust upon completion in June 2014. The Authority initially capitalised this expenditure and then impaired this to nil, as the assets will be owned by the Authority only until the transfer date, will not receive the economic benefit from the assets.

We have reviewed the substance of each transaction and determined that in accordance with the CIPFA Code the capital expenditure incurred in relation to the academies should instead be treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). REFCUS would be recognised within the Comprehensive Income and Expenditure Statement in the period in which it is incurred. A transfer is then made from the Capital Adjustment Account so there is no impact on the balance of the General Fund.

We have also considered whether the arrangements should be considered as the Authority constructing property, plant & equipment (PP&E) and which is then leased to the Academy or whether this should be considered as a construction contract to build an asset for the Department of Education group. Either approach could be adopted by the Authority depending of the substance of the transaction, however the pattern of income recognition would be different under the two approaches.

The Authority has determined that the substance of each transaction is to recognise as PP&E, with the expenditure

treated as REFCUS and the grant income recognised in full in the period.

This is one of the discussed approaches and we are therefore not minded to challenge the adjustment made to the accounts.

2. Valuation of property

The Authority has a large and complex property, plant and equipment (PP&E) portfolio and, in common with other authorities, each year a number of significant judgements are required in order to generate the figures in the financial statements.

The draft accounts include total PP&E with a net book value of £507 million, largely made up of land and buildings (net book value of £312 million) and infrastructure assets (net book value of £120 million). The Authority has utilised the expertise of an external valuation expert in evaluating the valuation of the Authority's PP&E and investment properties.

Our internal valuation experts have reviewed the assumptions and methodologies used by the Authority's external valuation expert. We draw your attention to the following in relation to these assumptions:

1. Depreciation and Useful Economic Lives (UEL) – some of the assumptions used on the remaining economic lives were considered to be simplistic and should reflect the specific characteristics of the property.
2. Modern Equivalent Asset Basis - valuations calculated by the external valuer assume the replacement of existing property. The Royal Chartered Institute of Surveyors (RICS) guidance stipulates that the valuation should be undertaken on a Modern Equivalent Asset basis (MEA). Modern Equivalent means “replacement of an existing asset with a more technically up to date asset today, and provide the same level of service as any existing asset”.

3. Apportioning land values – The external valuer has used an approach of apportioning land values as a percentage of building costs in their valuation. However, PwC valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.

These matters regarding the assumptions have been reviewed and considered by Management who are comfortable that the assumptions and methodology adopted by the external valuer do not materially misstate the financial statements.

Management have also carried out an impairment review during the year, for assets that were not re-valued in 2012/13 and are comfortable that the values of these land and buildings assets are not materially misstated in the financial statements.

We have considered the approach adopted by the external valuer and the Authority and, in the context of the truth and fairness of the accounts as a whole, are not minded to challenge the valuations recorded in the accounts.

However, we recommend that management, the external valuers, and our internal valuers, discuss the approach to be adopted for the 2013/14 valuations.

3. Accounting for the Local Authority Mortgage Scheme

The Authority has set up the Local Authority Mortgage Scheme ("LAMS") with Lloyds TSB ("the lender"). In the LAMS, first time buyers ("the borrower") put down five per cent of the property price as a deposit to the lender, with the Authority providing a cash backed indemnity of up to 20 per cent as additional security. The Authority then earns interest on this amount. As at 31 March 2013, the Authority had paid £1m to Lloyds TSB, with a further £1m paid in July 2013 and plans for a further £2m approved by Council for 2013/14.

The Authority has treated its payment of £1m to Lloyds as capital expenditure. The justification for this treatment is regulation 25(1)(b) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, which defines as capital expenditure "... the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Authority, be capital expenditure".

We consider that an alternative interpretation of statute may be appropriate as, although the lender would not have made its loan to the borrower without the Authority having placed money on deposit with it, the Authority may not have a relationship with the borrower making the house purchase that is sufficient for regulation 25(1)(c) to be effective. This is because the status of the deposit appears such that the lender cannot treat the amount deposited as its own monies.

An alternative accounting treatment would treat the commitment that the Authority makes to the lender as meeting the definition of a financial guarantee. Financial guarantees are required to be accounted for in accordance with Section 7.2.4 of the CIPFA Code, being "initially recognised as a liability at fair value and an expense, estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee".

However, we recognise that this issue rests on the interpretation of statute, and that others may be of the view that as the amount advanced to the lender by the Authority is reflected in a larger advance to the borrower than would otherwise have been permitted by the lender's rules, there is arguably a flow of cash between the Authority and the borrower that is sufficient to constitute the giving of a loan by the Authority to the lender for use by the borrower in acquiring a property.

We note that the Authority has obtained advice from the Monitoring Officer for entering into the scheme and has not

Peterborough City Council

relied solely on any assurances given to it by its Treasury Management Advisors in respect of its consideration of the appropriate accounting treatment.

While we include consider this an unadjusted misstatement, given that the value of the amount paid into LAMS at 31 March 2013 is not material in the context of the truth and fairness of the accounts as a whole, there is no impact on our audit opinion.

This view will need to be considered again in the light of any further advances, as accountancy practice and the interpretation of statute in this area develops.

4. Estimation of the pension liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council Pension Fund, of which you are an admitted body.

We reviewed the reasonableness of the assumptions underlying the pension liability, and have no matters to draw your attention to in this regard.

We undertook audit work on the data supplied to the actuary on which to base their calculations.

We have also received a report from the auditors of the Cambridgeshire County Council Pension Fund in August 2013, summarising their work on the pension fund as a whole. This report highlighted that the fair value of the whole pension fund as at 31 March 2013, as provided by the scheme actuaries Hymans Robertson LLP ("Hymans"), was £1,967m. However, the audited assets of the pension fund at this date were £1,904m, resulting in a difference of £63m between estimated and actual total fund assets as at the balance sheet date.

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial.

There was one uncorrected misstatement identified during the audit.

In accordance with the CIPFA Code section 6.4.1.11, formal valuations are performed every three years with approximate assessments adjusting the full valuation results using the latest membership data in intervening years.

Both the IAS19 asset derived from the actuary's report and the notional share of fund assets are deemed to be estimates. The notional share of the fund assets is calculated as part of the full valuation, and then used as part of the actuary's model for calculating the assets attributable to an admitted body until the next full valuation, the actual percentage in the intervening periods may differ from this and the percentage is therefore an estimate.

Whilst we may know the audited value of the pension fund assets in the intervening years, applying the notional share of the assets to calculate the value attributable to an individual admitted body is itself an estimate (as the percentage may have changed), and the percentage applied is the more sensitive variable.

We have discussed this with management, Hymans and our internal actuarial and accounting experts. We have considered the estimates used by the actuary and deem these to be reasonable in the context of the truth and fairness of the accounts as a whole, and there is no impact on our audit opinion. The Authority has appropriately amended the IAS19 disclosures to make it clear that a full valuation exercise is undertaken every three years, the asset value in the intervening period is an estimate calculated by the actuary using a model, and any differences between the estimate and actual figures are adjusted at the next full valuation.

Changes to IAS 19: Employee Benefits

From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities/assets will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in

Peterborough City Council

expenses. Also, the definition of termination benefits under IAS19 has changed and does not now include liabilities where there is a future service element. They do not include any 'voluntary' element.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. There was one uncorrected misstatement identified during the audit in relation to the LAMS, see accounting issues above.

We also bring to your attention any misstatements or adjustments which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities. There were no misstatements to report, and no significant adjustments other than those already described above to bring to your attention.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask you to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

In addition to the standard representations we have requested specific representations on:

- Local Authority Mortgage Scheme; and
- Valuation experts.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers’ teams whose work we intend to use when forming our opinion on the truth and fairness of the Statement of Accounts.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed by, or holding discussions in respect of employment with, the Authority as a director or in a senior

management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, we have also undertaken work to form our value for money conclusion and have undertaken certification of claims and returns, as required by the Audit Commission.

Fees

The analysis of our audit fees for the year ended 31 March 2013 is included on page 11. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission’s view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years,

We anticipate issuing an unqualified value for money conclusion.

provided that there are no considerations that compromise, or could be perceived to compromise, the engagement leader's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet or senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We ask the Audit Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We have completed our work, subject to the following outstanding matters:

- Completion of our internal review procedures, including addressing any queries which may result from this.

Subject to the satisfactory resolution of these matters we anticipate issuing an unqualified value for money conclusion.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the Annual Governance Statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention. There were no such significant deficiencies to bring to your attention.

We will report minor internal control issues separately to management and agree an action plan where relevant. This report will then be presented to the Audit Committee.

Risk of Fraud

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

We will report minor internal control issues in a “Report to Management”.

Fraud is a risk in all organisations. We ask you to represent to us that you have made us aware of all fraud affecting the Authority.

Fees update

Fees update for 2012/13

We reported our fee proposals in our audit plan.

Our actual fees are expected to be in line with our proposals.

Our fee for certification of returns and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in February within the “*Annual Certification Report to those charged with governance*”.

Appendices

Appendix 1: Letter of representation

The letter of representation includes generic and specific items that we require you to represent to us as appropriate in the compilation of the Statement of Accounts.

[Entity letterhead]

[Address]

Dear Sirs

Representation letter – audit Peterborough City Council’s (the Authority) statement of accounts for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Executive Director, Strategic Resources (Chief Financial Officer) for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the Authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the statement of accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

Peterborough City Council

PwC • 13

- All events subsequent to the date of the statement of accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Authority's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the Authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the statement of accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing statement of accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the Authority's ability to conduct its business or that could have a material effect on the statement of accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits and Retirement Benefits

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the Authority participate. All significant retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the Authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

We have considered the assumptions made by our actuary in relation to the take-up of the entitlement to a lump sum under Regulation 3 of the Local Government Pension Scheme (Amendment) Regulations 2006 (Statutory Instrument 2006/966), and, in our view, the assumption of 50% take-up reflected in the accounts is the most appropriate assumption for the preparation of our financial statements and leads to the best estimate of scheme liabilities.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the Authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Authority or any associated company for whose taxation liabilities the Authority may be responsible.

Bank accounts

I confirm that we have disclosed all bank accounts to you including those that are maintained in respect of schools.

Subsequent events

Other than as described in the Statement of Accounts, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

I agree with the findings of the Authority's external valuers, as experts in property valuation in determining the amount at which properties are stated in the 2012/13 accounts. I agree with their findings and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Financial Instruments

Details of all financial instruments entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the financial statements.

Where we have assigned fair values to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Other matters

I have taken appropriate legal advice to satisfy myself that the accounting treatment adopted for the Local Authority Mortgage Scheme does not contravene the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

As minuted by the Audit Committee at its meeting on 23 September 2013

.....

Executive Director, Strategic Resources
For and on behalf of Peterborough City Council

Date



In the event that, pursuant to a request which Peterborough City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Peterborough City Council has agreed to pay due regard to any representations which PwC may make in connection with such disclosure and Peterborough City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Peterborough City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Peterborough City Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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130610-142627-JA-UK

Town Hall
Bridge Street
Peterborough
PE1 1HG

Dear Sirs

Representation letter – audit Peterborough City Council's (the Authority) statement of accounts for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Executive Director, Strategic Resources (Chief Financial Officer) for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the Authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the statement of accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the statement of accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.
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Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Authority's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the Authority's particular circumstances.

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I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
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In particular:

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The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

I agree with the findings of the Authority's external valuers, as experts in property valuation in determining the amount at which properties are stated in the 2012/13 accounts. I agree with their findings and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

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Other matters

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As minuted by the Audit Committee at its meeting on 23 September 2013

.....

Executive Director, Strategic Resources
For and on behalf of Peterborough City Council
Date

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2012/13



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

The Head of Strategic Finance

Peterborough City Council

Town Hall

Bridge Street

Peterborough

PE1 1HG

email: FinanceManagementTeam@peterborough.gov.uk

Tel: 01733 384590

www.peterborough.gov.uk

Peterborough City Council

Statement of Accounts 2012/13

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Explanatory Foreword

1 The Council's Vision and Strategic Priorities

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

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

- Improve the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings
- Create a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK

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

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

Further information is available at both

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

2 The Accounts

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

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

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

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

3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement (CIES) on page 10 shows the gross revenue expenditure and income together with net expenditure for 2012/13 compared with 2011/12 equivalents. The CIES is analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's organisational structures, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with SeRCOP. However, Note 16 page 26, demonstrates the presentational differences between these reporting requirements.

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

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

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

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

The financing of the budget was as follows:

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

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

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

Balances

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

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

4 Capital Expenditure

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

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

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

5 External Borrowings and Investments

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

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

6 Change in Accounting Policies

Where the Council uses depreciated replacement cost as a basis for valuations eg the theatre, libraries and schools, the 'instant build' approach is now used. This means that finance costs are excluded from the valuation, see Note 49 for further information.

7 Changes to Service Delivery and Future Developments

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

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

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

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

8 Pensions

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

Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has increased during 2012/13, from £187.3m in 2011/12 to £216.3m. The change of £29m is largely a result of falling bond yields although this has been offset by higher than expected investment performance. Further details can be found in Note 7.

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

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

9 Related Parties

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

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

10 External Auditors

The Council's auditors are PricewaterhouseCoopers LLP. The duty to appoint auditors to local government is an Audit Commission core statutory function. See Note 3 for further information on external audit fees.

11 Conclusion

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

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

During the year the Council has closely monitored and assessed the impact of these forecasted pressures, and implemented various management actions in order to control the emerging in year pressures, whilst delivering savings as outlined in the MTFS. Such actions include spend only on

business critical activities, implementation of robust panel process for accessing Adult and Children social care placements, and the re-profiling of capital investments.

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

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

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

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

John Harrison
Executive Director Strategic Resources

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

Report on Statement of Accounts

We have audited the statement of accounts of Peterborough City Council for the year ended 31 March 2013 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

Respective responsibilities of the Executive Director - Strategic Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Executive Director - Strategic Resources is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any

other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view of the state of the Authority's affairs as at 31 March 2013 and of the Authority's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Signed: _____

Date: _____

Julian Rickett
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Norwich,

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**Authority's responsibilities**

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

Auditors' responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying

ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the statement of accounts of Peterborough City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed:

Date:

Julian Rickett
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Norwich,

Notes:

- (a) The maintenance and integrity of the Peterborough City Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the statement of accounts may differ from legislation in other jurisdictions.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

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

Signed on behalf of Peterborough City Council:

Chairman of meeting
approving the accounts:

Date:

23 September 2013

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 10 to 82 present a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Executive Director
Strategic Resources:

Date:

23 September 2013

Comprehensive Income and Expenditure Statement (CIES)

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

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

Restated 2011/12*			Comprehensive Income & Expenditure Statement (CIES)				2012/13		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		
2,509	(662)	1,847	Central Services to the Public		1,194	(533)	661		
444	-	444	Court Services		422	-	422		
12,255	(743)	11,512	Cultural & Related Services		11,379	(595)	10,784		
220,946	(175,598)	45,348	Education & Children's Services	1, 6	278,404	(174,341)	104,063		
15,669	(6,095)	9,574	Environmental & Regulatory Services		20,085	(5,903)	14,182		
24,713	(6,981)	17,732	Highways & Transport Services		26,274	(6,809)	19,465		
92,501	(84,433)	8,068	Other Housing Services		97,524	(90,445)	7,079		
11,805	(3,569)	8,236	Planning Services		11,502	(6,391)	5,111		
57,862	(10,985)	46,877	Adult Social Care	2, 6	74,433	(22,094)	52,339		
3,292	(1,191)	2,101	Corporate & Democratic Core	3, 4	3,117	(1,201)	1,916		
-	(3,117)	(3,117)	Non Distributed Costs		-	(4,589)	(4,589)		
441,996	(293,374)	148,622	Cost of Services	16	524,334	(312,901)	211,433		
16,898	(11,927)	4,971	Other Operating Expenditure	9	5,803	(4,081)	1,722		
20,119	(262)	19,857	Financing & Investment Income & Expenditure	10,11	24,667	(7,027)	17,640		
-	(176,239)	(176,239)	Taxation & Non-Specific Grant Income	12,13	-	(160,816)	(160,816)		
479,013	(481,802)	(2,789)	(Surplus) / Deficit on Provision of Services	16	554,804	(484,825)	69,979		
		(29,262)	Surplus on Revaluation of Non-Current Assets	17,19			(9,153)		
		42,243	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			28,403		
		12,981	Other Comprehensive Income & Expenditure				19,250		
		10,192	Total Comprehensive Income & Expenditure				89,229		

* The restatement has occurred due to a change in accounting policy please see Note 49

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 10.

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

Movement in Reserves during 2011/12 and 2012/13	Notes	General Fund Balance	Schools' Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	17	£000	£000	£000	£000	£000	£000	£000	£000
<i>Restated Balance at 1 April 2011</i>		6,000	6,749	17,038	-	4,964	34,751	104,580	139,331
<i>Deficit / (Surplus) on Provision of Services</i>		2,689	100	-	-	-	2,789	-	2,789
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(12,981)	(12,981)
Total Comprehensive Income & Expenditure		2,689	100	-	-	-	2,789	(12,981)	(10,192)
<i>Adjustments between accounting basis & funding basis under regulations</i>		(2,747)	-	-	-	(3,235)	(5,982)	5,982	-
Net Increase / Decrease before Transfers to Earmarked Reserves		(58)	100	-	-	(3,235)	(3,193)	(6,999)	(10,192)
<i>Transfers to / (from) Earmarked Reserves</i>		58	-	(58)	-	-	-	-	-
<i>Increase / (Decrease) in 2011/12</i>		-	100	(58)	-	(3,235)	(3,193)	(6,999)	(10,192)
<i>Restated Balance at 31 March 2012 Carried Forward</i>		6,000	6,849	16,980	-	1,729	31,558	97,581	129,139
Restated Balance at 1 April 2012		6,000	6,849	16,980	-	1,729	31,558	97,581	129,139
<i>Deficit / (Surplus) on Provision of Services</i>		(69,425)	(554)	-	-	-	(69,979)	-	(69,979)
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(19,250)	(19,250)
Total Comprehensive Income & Expenditure		(69,425)	(554)	-	-	-	(69,979)	(19,250)	(89,229)
<i>Adjustments between accounting basis & funding basis under regulations</i>		67,749	-	-	-	(287)	67,462	(67,462)	-
Net Increase before Transfers to Earmarked Reserves		(1,676)	(554)	-	-	(287)	(2,517)	(86,712)	(89,229)
<i>Transfers to / (from) Reserves</i>		1,676	-	(1,676)	-	-	-	-	-
Increase / (Decrease) in 2012/13		-	(554)	(1,676)	-	(287)	(2,517)	(86,712)	(89,229)
Balance at 31 March 2013 Carried Forward		6,000	6,295	15,304	-	1,442	29,041	10,869	39,910

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 11, line 'Adjustments between accounting basis and funding basis under regulations'.

<i>Restated 1 April 2011*</i>	<i>Restated 31 March 2012*</i>	Balance Sheet	Notes	31 March 2013
<i>£000</i>	<i>£000</i>			£000
434,180	498,793	Property, Plant & Equipment	19	507,118
40,012	33,826	Investment Property	20	35,208
2,538	2,148	Intangible Assets	21	3,208
457	158	Long Term Investments	29	143
2,334	2,353	Long term Debtors	29, 30	2,332
479,521	537,278	Long Term Assets		548,009
449	438	Short Term Investments	29	141
484	385	Inventories	32	341
48,636	47,431	Short Term Debtors	33	46,055
15,634	3,270	Cash & Cash Equivalents	41	754
-	-	Current Intangible Asset	34	5
6,146	2,300	Assets Held for Sale	22	435
71,349	53,824	Current Assets		47,731
(20,883)	(29,213)	Short Term Borrowing	29	(57,327)
(57,520)	(65,494)	Short Term Creditors	35	(67,134)
(1,492)	(2,242)	Provisions	37	(2,810)
(79,895)	(96,949)	Current Liabilities		(127,271)
(145,349)	(187,284)	Long Term Creditors	7	(216,288)
(1,611)	(1,478)	Provisions	37	(654)
(115,387)	(115,387)	Long Term Borrowing	29	(153,387)
(43,688)	(43,445)	Other Long Term Liabilities	27, 28, 29, 30	(42,610)
(25,609)	(17,420)	Capital Grants Receipts in Advance	36	(15,620)
(331,644)	(365,014)	Long Term Liabilities		(428,559)
139,331	129,139	Net Assets		39,910
(34,751)	(31,558)	Usable Reserves	17	(29,041)
(104,580)	(97,581)	Unusable Reserves	17	(10,869)
(139,331)	(129,139)	Total Reserves		(39,910)

* The restatement has occurred due to a change in accounting policy please see Note 49

Cash Flow Statement

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

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

<i>Restated 2011/12*</i> £000	Cash Flow Statement	Notes	2012/13 £000
(2,789)	Net (Surplus) / Deficit on the Provision of Services		69,979
(33,400)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(60,140)
(20,845)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(48,591)
(57,034)	Net Cash Flows from Operating Activities		(38,752)
69,301	Investing Activities	39	97,890
97	Financing Activities	40	(56,622)
12,364	Net (Increase) / Decrease in Cash & Cash Equivalents		2,516
15,634	Cash & Cash Equivalents at the Beginning of the Reporting Period		3,270
(12,364)	Increase / (Decrease) in Cash and Cash Equivalents		(2,516)
3,270	Cash & Cash Equivalents at the end of the Reporting Period	41	754

* The restatement has occurred due to a change in accounting policy please see Note 49

Notes to the Accounts

1 Dedicated Schools Grant

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

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

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of

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

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

2 Pooled Funds

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

Learning Disability Services

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

Mental Health Services

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

3 External Audit Costs

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

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

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

4 Members Allowances

The following amounts were paid to members of the Council.

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

5 Termination Benefits and Exit Packages

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

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

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

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

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

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

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

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers Pension Scheme

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

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

In 2012/13 the Council paid £5.9m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £6.4m and 14.1%. The contributions reduced between years as a secondary and a primary school have transferred to Academy status during 2012/13 and these are not funded by the Council. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of

the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 7.

NHS Pension Scheme

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

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

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme,

meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

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

Impact of the Revised Standard

The figures in this note are based on the current version of International Accounting Standard for Employee Benefits (IAS 19). Changes to IAS 19 come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with International Accounting Standard for Accounting Policies, changes in Accounting Estimates and Errors (IAS 8). The effect of the change to IAS 19 on the income and expenditure statement to 31 March 2013 will be an increase of £2.2m. This will be disclosed in the report covering the year to 31 March 2014.

2011/12 £000	Comprehensive Income and Expenditure Statement	2012/13 £000
	Cost of Services:	
10,512	Current service cost	10,051
(2,413)	Past service cost	-
(506)	Curtailment and Settlement	(3,178)
	Financing & Investment Income & Expenditure	
22,359	Interest cost (Note 10)	22,211
(17,874)	Expected return on scheme assets (Note 10)	(15,691)
<u>12,078</u>	Total post employment benefit charged to the Deficit / (Surplus) on the Provision of Services	<u>13,393</u>
	Other employment benefit charged to the Comprehensive Income and Expenditure Statement	
42,243	Actuarial losses / (gains)	28,403
<u>54,321</u>	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	<u>41,796</u>
	Movement in Reserves Statement	
(54,321)	Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services for post employment benefits in accordance with the code	(41,796)
	Actual amount charged against the General Fund Balance for pensions in the year:	
12,386	Employer's contributions payable to scheme	12,792
<u>(41,935)</u>	Total Movement in Reserves Statement	<u>(29,004)</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £218.7m and at 31 March 2012 was a loss of £190.3m which has built up from 1st April 2004.

Assets and liabilities in relation to post employment benefits

31 March 2012 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2013 £000
407,309	Opening Liability at 1 April	465,018
-	- Contribution Adjustment	1,509
10,512	Current Service Cost	10,051
22,359	Interest Cost	22,211
3,629	Contributions by Scheme Participants	3,232
25,111	Actuarial Losses / (Gains)	53,933
964	Losses on Curtailments (excluding settlement amounts)	319
(4,569)	Liabilities Extinguished on Settlements	(4,160)
(2,413)	Past Service Costs	-
12,290	Liabilities Assumed on a Business Combination	-
(10,174)	Benefits Paid	(10,398)
465,018	Closing Liability at 31 March	541,715

31 March 2012 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2013 £000
261,960	Opening Value at 1 April	277,734
-	- Contribution Adjustment	1,509
17,874	Expected Rate of Return on Assets	15,691
(17,132)	Actuarial (Losses) / Gains	25,530
(3,099)	Assets Distributed on Settlements	(663)
12,386	Employer Contributions	12,792
3,629	Contributions by Scheme Participants	3,232
12,290	Assets Acquired in a Business Combination	-
(10,174)	Benefits Paid	(10,398)
277,734	Closing Fair Value of Scheme Assets at 31 March	325,427

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £42m (2011/12 £0.8m).

Scheme history

Local Government Pension Scheme	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present Value of Liabilities	270,081	480,626	407,309	465,018	541,715
Fair Value of Assets in Scheme	(178,074)	(249,867)	(261,960)	(277,734)	(325,427)
Deficit in scheme	92,007	230,759	145,349	187,284	216,288

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £216.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 17, page 35. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

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

Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

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

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

of the scheme as at the 31 March 2010, which is performed on a triennial basis in accordance with the Code. The values in the intervening period are an estimate calculated by the actuary using a model, and any differences between the estimated and actual asset figures are adjusted at the next full valuation

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

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

History of Experienced Gains and Losses

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

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between expected and actual return on assets	(32.33)	19.29	1.28	(6.17)	8.08
Experience Gains and Losses on Liabilities *	0.16	(0.36)	(5.86)	(1.25)	0.02

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

8 Officers' Remuneration

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

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

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

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

Interim Directors

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

- Interim Executive Director Children's Services was appointed on 28 November 2011 and their contract ended on 21 December 2012, the cost of their service in 2012/13 was £161,453 (2011/12 £86,765).
- Interim Executive Director Adult Social Services was appointed on 5 December 2011, the cost of their service in 2012/13 was £203,746 (2011/12 £54,377). Their contract ended on 16 April 2013 with costs in 2013/14 of £9,000.

Senior Employees Remuneration

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

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

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

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

+ Travel related benefits

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

9 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

<i>Restated</i> 2011/12*		2012/13
£000	Other Operating Expenditure	£000
397	Parish Council Precepts	418
564	Drainage & Flood Levies	567
(1,102)	(Gains) / Losses on Trading Operations – (Note 11) 2012/13 actuals in Note 10	
6	Payments to the Government Housing Capital Receipts Pool (Note 17)	6
5,583	Net Losses on Disposal of Non Current Assets	967
858	Movement on Revaluation of Assets Held for	-
(1,335)	Gains on Right To Buy Receipts	(236)
4,971	Total	1,722

*The restatement has occurred due to a change in accounting policy please see Note 49

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

2011/12	Financing & Investment Income & Expenditure	2012/13
£000	Expenditure	£000
10,271	Interest Payable & Similar Charges (Note 29)	10,277
4,485	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	6,520
(262)	Interest Receivable & Similar Income (Note 29)	(288)
	(Gains) / Losses on Trading Operations - (Note 11) 2011/12 comparatives in Note 9	2,975
5,363	(Gains) / Losses in Fair Value of Investment Properties (Note 20)	(1,844)
19,857	Total	17,640

11 Trading Operations

The Council has established a number of trading units where the service manager is required to operate in a commercial

environment and balance their budget by generating income from other parts of the Council or other organisations.

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

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

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. The majority relate to the Council's property portfolio, apart from Westcombe Engineering, a company set up to create employment

opportunities for people with disabilities which is included within the Other Traded Services.

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

2011/12 £000	Taxation & Non-Specific Grant Income	2012/13 £000
(61,836)	Council Tax Income	(64,244)
(60,102)	Distribution of national non-domestic rates (NNDR)	(72,674)
(22,128)	Non-Specific Government Grants (Note 13)	(4,198)
(32,173)	Capital Grants & Contributions (Note 26)	(19,700)
(176,239)	Total Income	(160,816)

13 Grant Income

The Council receives a number of grants that contribute to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement, Note 12

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

14 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced

by the Council. Disclosure of these transactions allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 4. Members have been consulted over potential related parties and four Councillors are directors of companies that have transacted with the Council in the last financial year. These companies include a day nursery, a construction company, a property company and Peterborough City Environmental Trust. The transactions with the day nursery are included in the following table but the other transactions are not of a material nature for either the Council or the company and are therefore not disclosed separately. The Register of Members' Interest is open to public inspection at the Town Hall during office hours (2011/12 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Democracy area by Member on the Council's website.

Of the 57 Councillors one declaration of related party interests was not received by 11 September 2013.

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise. The complete List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Democracy area of the Council's website. The following table details the major transactions between the Council and those organisations.

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

Organisation	Member/ Representative	Cost to the Council £000	Balance Outstanding £000
North Level Drainage Board	Cllr N Arculus Cllr D Harrington Mr P Hurn Mr S Sly Cllr J Holdich	261	-
Peterborough Association for the Blind	Cllr P Kreling	6	-
Peterborough Cathedral Trust	Cllr G Simons	5	-
Peterborough Racial Equality Council	Cllr D Fower Cllr N Khan Cllr G Nawaz Cllr N Shabbir	62	-
Peterborough Workspace	Cllr M Fletcher Cllr J Holdich Cllr J Knowles	70	-
Welland and Deeping Internal Drainage Board	Cllr J Holdich	150	-
Italian Community Assn.	Cllr B Rush M D'Andrea	24	2
St Joseph's' Day Nursery	Cllr M Cereste	249	-

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

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

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

15 Interest in Companies

Opportunity Peterborough Limited

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

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

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

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

Blue Sky Peterborough Limited

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

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

16 Amounts Reported for Resource Allocation Decisions

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

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

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

Portfolio Income & Expenditure for 2012/13	Chief Executives £000	Children's Services £000	Operations £000	Strategic Resources £000	Adult Social Care £000	2012/13 Total £000
Fees, charges & other service income	(1,232)	(20,187)	(11,493)	(24,067)	(14,875)	(71,854)
Government Grants	(3,539)	(151,182)	(3,784)	(89,740)	(4,516)	(252,761)
Total Income	(4,771)	(171,369)	(15,277)	(113,807)	(19,391)	(324,615)
Employee expenses	5,023	115,177	11,317	3,677	14,929	150,123
Other service expenses	6,720	88,158	24,497	153,894	51,514	324,783
Total Expenditure	11,743	203,335	35,814	157,571	66,443	474,906
Net Expenditure	6,972	31,966	20,537	43,764	47,052	150,291
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement						
Net Expenditure in the Portfolio Analysis						150,291
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis						81,249
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement						(20,107)
Cost of Services in Comprehensive Income and Expenditure Statement						211,433

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

* The restatement has occurred due to a change in accounting policy please see Note 49

Reconciliation to Subjective Analysis

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

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

Reconciliation to Subjective Analysis 2012/13	Portfolio Analysis	Amounts not Reported to Mgmt ¹	Amounts not included in CIES ²	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(71,566)	6,848	4,979	8,236	(51,503)	(10,820)	(62,323)
Interest & Investment Income	(288)	-	288	-	-	(288)	(288)
Income from Council Tax	-	-	-	-	-	(64,244)	(64,244)
Government Grants & Contributions	(252,761)	(11,426)	2,789	-	(261,398)	(96,572)	(357,970)
Total Income	(324,615)	(4,578)	8,056	8,236	(312,901)	(171,924)	(484,825)
Employee Expenses	150,123	(6,273)	(527)	-	143,323	7,047	150,370
Other Service Expenses	318,525	(12,742)	(21,378)	-	284,405	3,152	287,557
Support Services Recharges	-	-	-	(8,236)	(8,236)	-	(8,236)
Depreciation, Amortisation & Impairment	-	104,842	-	-	104,842	4,191	109,033
Interest Payments	6,258	-	(6,258)	-	-	10,277	10,277
Precepts & Levies	-	-	-	-	-	985	985
Payments to Housing Capital Receipts Pool	-	-	-	-	-	6	6
Movement on Revaluation of Assets Held for Sale	-	-	-	-	-	-	-
Loss on Disposal of Non-Current Assets	-	-	-	-	-	4,812	4,812
Total Expenditure	474,906	85,827	(28,163)	(8,236)	524,334	30,470	554,804
Deficit / (Surplus) on the Provision of Services	150,291	81,249	(20,107)	-	211,433	(141,454)	69,979

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

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

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

* The restatement has occurred due to change in accounting policy please see Note 49

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

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

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

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

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

• **Summary of Usable and Unusable Reserves**

<i>Restated 1 April 2011*</i>	<i>Movement</i>	<i>Restated 31 March 2012*</i>	Summary of Usable and Unusable Reserves	Restated 31 March 2012*	Movement	31 March 2013
<i>£000</i>	<i>£000</i>	<i>£000</i>		£000	£000	£000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,749)	(100)	(6,849)	School Balances	(6,849)	554	(6,295)
(17,038)	58	(16,980)	Specific Earmarked Reserves (Note 18)	(16,980)	1,676	(15,304)
-	-	-	Capital Receipts Reserve	-	-	-
(4,964)	3,235	(1,729)	Capital Grants Unapplied Account	(1,729)	287	(1,442)
(34,751)	3,193	(31,558)	Total Usable Reserves	(31,558)	2,517	(29,041)
			Unusable Reserves			
(82,961)	(25,717)	(108,678)	Revaluation Reserve	(108,678)	(5,173)	(113,851)
(169,383)	(9,895)	(179,278)	Capital Adjustment Account	(179,278)	62,183	(117,095)
(2,971)	1,014	(1,957)	Deferred Capital Receipts	(1,957)	982	(975)
504	(7)	497	Financial Instruments Adjustment Account	497	(8)	489
145,349	41,935	187,284	Pension Fund Reserve	187,284	29,004	216,288
363	(110)	253	Collection Fund Adjustment Account	253	78	331
4,519	(221)	4,298	Accumulating Compensated Absences Adjustment Account	4,298	(354)	3,944
(104,580)	6,999	(97,581)	Total Unusable Reserves	(97,581)	86,712	(10,869)
(139,331)	10,192	(129,139)	Total Usable and Unusable Reserves	(129,139)	89,229	(39,910)

* The restatement has occurred due to change in accounting policy please see Note 49

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13	Usable Reserves			Movement in Unusable Reserves
	General Fund Bal	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non current assets	(31,261)	-	-	31,261
Revaluation losses on Property Plant and Equipment	(29,087)	-	-	29,087
Movements in the fair value of Investment Properties	1,844	-	-	(1,844)
Amortisation of intangible assets	(814)	-	-	814
Capital grants and contributions	30,988	-	-	(30,988)
Revenue expenditure funded from capital under statute	(47,872)	-	-	47,872
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(4,794)	-	-	4,794
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	9,349	-	-	(9,349)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	140	-	(140)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	427	(427)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	4,081	(4,081)	-	-
Use of the reserve to finance new capital expenditure	-	5,057	-	(5,057)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(6)	6	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(982)	-	982
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	8	-	-	(8)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(13,393)	-	-	13,393
Employer's pensions contributions & direct payments to pensioners payable in the year	12,792	-	-	(12,792)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(78)	-	-	78
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments for short-term compensated absences	354	-	-	(354)
Total Adjustments	(67,749)	-	287	67,462

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

* The restatement has occurred due to change in accounting policy please see Note 49

- **Revaluation Reserve**

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

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

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

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

- **Capital Adjustment Account**

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

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

<i>Restated</i> 2011/12* £000		2012/13 £000
(169,383)	Balance at 31 st March	(179,278)
-	B/Fwd Adjustment for DRC	(343)
(169,383)	Adjusted B/Fwd Balance 1 st April	(179,621)
16,900	Charges for depreciation & Impairment	31,261
1,102	Revaluation gains / losses on Property, Plant & Equipment	29,087
5,363	Movement in market value of Investment Properties	(1,844)
650	Amortisation of Intangible Assets	814
(40,293)	Capital Grants & Contributions that have been applied to Capital Financing	(30,988)
16,607	Revenue Expenditure Funded from Capital under Statute	47,872
10,149	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	4,794
470	Capitalisation Direction	-
(9,330)	Provision for the Repayment of Debt (MRP)	(9,349)
(1,062)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(427)
(473)	Depreciation & Impairment written down to Revaluation Reserve	(1,522)
(3,071)	Transfer of Revaluation Reserve on disposal	(2,115)
(7,050)	Transfer from Useable Capital Receipts	(5,059)
143	Repayment of Loan	2
<u>(179,278)</u>	Balance at end of the Year	<u>(117,095)</u>

* The restatement has occurred due to change in accounting policy please see Note 49

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

- **Deferred Capital Receipts Reserve**

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

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

- **Financial Instruments Adjustment Account**

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

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

- **Pensions Reserve**

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

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

2011/12 £000	Pensions Reserve:	2012/13 £000
145,349	Balance at start of year	187,284
42,243	Actuarial gains / losses on pension assets & liabilities (Note 7)	28,403
12,078	Reversal of items relating to Post Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	13,393
(12,386)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(12,792)
<u>187,284</u>	Balance at end of the Year	<u>216,288</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 64.

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

- **Accumulating Compensated Absences Adjustment Account**

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

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

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

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

General Fund Earmarked Reserves	31 March 2012	Transfers Out	Transfers In	Movement between Reserves	31 March 2013	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	4,032	(3,228)	1,881	161	2,846	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	2,980	(263)	1,094	-	3,811	To provide for future claims (self insurance). A number of risks, contingencies and financial losses are held covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £25,000 per loss, are also met by the Reserve.
Schools Capital	1,832	(1,011)	133	-	954	School revenue reserves put aside for funding future school capital schemes.
Future Cities	-	-	3,000	-	3,000	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Available for Capacity Building	7,773	(7,326)	4,090	(112)	4,425	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Salix Carbon Reduction	186	(191)	54	(49)	-	To fund specific carbon reduction projects
Other	177	(86)	177	-	268	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts and Parish Burial Reserves.
Total Reserves	16,980	(12,105)	10,429	-	15,304	

19 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2012/13	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012 Gross Book Value	308,989	44,025	173,616	5,808	559	23,835	37,569	594,401
Additions	21,206	7,713	10,694	25	-	10	21,894	61,542
Revaluation increase / (decrease) recognised in the Revaluation Reserve	11,202	-	-	-	11	-	-	11,213
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(30,426)	-	-	-	-	-	-	(30,426)
Derecognition - Disposals	(3,358)	(499)	-	-	-	-	-	(3,857)
Reclassified Assets	2,435	-	-	(1,789)	-	-	-	646
Assets Under Construction Completed In Year	23,183	684	68	39	-	1,722	(26,556)	(860)
At 31 March 2013	333,231	51,923	184,378	4,083	570	25,567	32,907	632,659
Accumulated Depreciation and Impairment								
At 1 April 2012	(10,448)	(28,901)	(55,918)	(24)	-	(317)	-	(95,608)
Depreciation Charge	(6,268)	(6,114)	(8,494)	-	-	-	-	(20,876)
Depreciation written out to the Revaluation Reserve	4,052	-	-	-	-	-	-	4,052
Depreciation written out to the (Surplus) / Deficit on Provision of Services	1,339	-	-	-	-	-	-	1,339
Impairment (losses) /reversals recognised in the Revaluation Reserve	(2,992)	-	-	(3,119)	-	-	-	(6,111)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(6,828)	(10)	-	(64)	-	(1,732)	(318)	(8,952)
Derecognition - Disposals	146	469	-	-	-	-	-	615
At 31 March 2013	(20,999)	(34,556)	(64,412)	(3,207)	-	(2,049)	(318)	(125,541)
Net Book Value - At 31 March 2013	312,232	17,367	119,966	876	570	23,518	32,589	507,118
<i>Net Book Value - At 31 March 2012</i>	<i>298,541</i>	<i>15,124</i>	<i>117,698</i>	<i>5,784</i>	<i>559</i>	<i>23,518</i>	<i>37,569</i>	<i>498,793</i>

Comparative Movements in 2011/12

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

* The restatement has occurred due to change in accounting policy please see Note 49

20 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 11 on page 23.

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

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

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

21 Intangible Assets

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

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

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

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

<i>31</i> <i>March</i> <i>2012</i> £000	Intangible Assets	Remaining Amortisation Period Years	31 March 2013 £000
548	EDRM Software	2.5	511
<u>548</u>	Total		<u>511</u>

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

<i>Internally Generated Asset</i> £000	<i>Software & Other Assets</i> £000	<i>2011/12 Total</i> £000	Intangible Assets	Internally Generated Asset £000	Software & Other Assets £000	2012/13 Total £000
142	6,644	6,786	Balance at 1 April:	142	6,903	7,045
(87)	(4,161)	(4,248)	Gross Carrying Amounts	(105)	(4,792)	(4,897)
55	2,483	2,538	Accumulated Amortisation	37	2,111	2,148
-	457	457	Net Carrying Amount at Start of the Year	-	1,700	1,700
-	-	-	Additions	-	174	174
-	(198)	(198)	Purchases	-	-	-
(18)	(631)	(649)	Assets Under Construction Completed in Year	(13)	(801)	(814)
37	2,111	2,148	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	24	3,184	3,208
142	7,101	7,243	Amortisation for the period	142	8,777	8,919
(105)	(4,990)	(5,095)	Net Carrying Amount at the End of Year	(118)	(5,593)	(5,711)
37	2,111	2,148	Gross Carrying Amounts	24	3,184	3,208
			Accumulated Amortisation			
			Net Carrying Amount at the End of Year			

22 Assets Held for Sale

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

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

23 Capital Commitments

As at 31 March 2013 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2012/13 and future years. These are budgeted to cost £97.8m as approved within the MTF5. The major commitments are:

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

24 Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

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

25 Impairment Losses

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

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

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

26 Capital Expenditure and Capital Financing

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

2011/12 £000		2012/13 £000
230,611	Opening Capital Financing Requirement	250,184
-	Adjustment for previous years roundings'	4
230,611	Revised Opening Capital Financing Requirement	250,188
27,093	Property, Plant and Equipment (Note 19)	39,649
31,665	Assets Under Construction (Note 19)	21,894
228	Investment Properties (Note 20)	582
-	Assets Held for Sale (Note 22)	36
457	Intangible Assets (Note 21)	1,700
16,254	Revenue Expenditure Funded from Capital under Statute (REFCUS)	47,872
470	Capitalisation Direction	-
1,140	Loans to Third Parties	-
	Sources of Finance	
(7,050)	Capital Receipts	(5,059)
(41,354)	Capital Grants & Contributions	(31,415)
(9,330)	Sums set aside from revenue (inc.direct revenue financing and (MRP))	(9,349)
250,184	Closing Capital Financing Requirement	316,098
	Explanation of movements in year	
	Increase in underlying need to borrow:	
-	Supported borrowing	-
28,789	Unsupported / Prudential borrowing	72,688
114	Assets acquired under finance leases	2,571
	Decrease in underlying need to borrow:	
(9,330)	MRP	(9,349)
19,573	Increase in Capital Financing Requirement	65,910

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2012/13 this expenditure is £47.9m compared with £16.3m in 2011/12. This increase is shown in the following table.

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

Revenue Expenditure Funded from Capital Under Statute	Value of Expenditure £000
Disabled Facility and Assistance Grants	2,562
Nene Park Academy	10,872
Stanground College	15,156
St Michaels' Primary School	3,177
All Saints Primary School	1,567
Eye Primary School	817
City of Peterborough Academy	10,404
Thomas Deacon KS2	1,449
Other Schools Expenditure	1,551
Other Expenditure	317
Total	47,872

2011/12 £000	Reconciliation of Grant Funding Applied to Capital Financing	2012/13 £000
32,173	Grants Received in year (Note 12)	19,700
5,946	Grants used to Fund Revenue Expenditure Funded from Capital under Statute	11,428
2,513	Adjustments made to Classification of Grant Received 2010/11	-
(340)	Grants Received in year not applied in year	(140)
1,062	Grants applied from Capital Grants Unapplied Account	427
41,354	Total Grants & Contributions applied	31,415

2011/12 £000	Body of Grant Funding Applied	2012/13 £000
41	Big Lottery Fund	-
1,478	Department for Communities & Local Government	887
5,455	Department for Transport	5,213
6,058	Department of Education	8,350
-	Department of Health	468
3	East of England Development Agency	-
10	English Partnerships	25
25,092	Partnership for Schools	10,073
39	The Home Office	-
803	Various	-
38,979	Total Grants Applied	25,016
1,193	Section 106 Contributions	5,325
1,182	Third Party Contributions	1,074
2,375	Total Contributions applied	6,399
41,354	Total Grants & Contributions applied	31,415

27 Private Finance Initiatives (PFI) and Similar Contracts

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

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

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

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

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

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

28 Council Leasing Arrangements

Council as Lessee - Finance Leases

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

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

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

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

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

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

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

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

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

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

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

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

Council as Lessee - Operating Leases

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

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

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

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

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

Council as Lessor - Finance Leases

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

Council as Lessor – Operating Leases

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

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

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

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

* Above operating leases range from five to 114 years

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

29 Financial Instruments

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

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

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

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

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

30 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2013 have been used for loans from the PWLB

- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable
- no early repayment is recognised
- the Fair Value of trade debtors is taken to be the invoiced or billed amount

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

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

The Fair Value of the financial liabilities in 2012/13 is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date.

31 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

Deposits with UK banks & building societies (excluding Icelandic Banks)		£000
Amount as at 31 March 2013		10,500
Historical Experience of Default %		-
Historical Experience Adjusted for Market Conditions as at 31 March 2013		-
Estimated Max Exposure to Default & Uncollectibility Total		-
Estimated Max Exposure at 31 March 2013		-

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

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

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

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

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

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

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

The Council does not allow credit for customers, and the £10m debtors balance can be analysed by age as follows:

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

Liquidity risk

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

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

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

The maturity analysis of financial liabilities is as follows:

2011/12 £000	Maturity analysis of financial liabilities	2012/13 £000
(41,739)	Less than one year	(74,125)
(2,608)	Between one and two years	(12,448)
(6,406)	Between two and five years	(13,410)
(149,818)	More than five years	(170,139)
<u>(200,571)</u>	Total	<u>(270,122)</u>

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

Market risk

Interest rate risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £25.1m but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

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

Foreign Exchange Risk

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

32 Inventories

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

Landfill Allowance Trading Scheme

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

33 Debtors

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

34 Current Intangible Assets

1 April 2011 £000	31 March 2012 £000		31 March 2013 £000
-	-	Carbon Reduction Allowances	5
-	-	Total	5

35 Creditors

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

36 Capital Grants Receipts in Advance

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

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

37 Provisions

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

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

38 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

39 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011/12 £000	2012/13 £000
58,144	59,082
-	-
17,600	45,516
(6,094)	(6,365)
(349)	(343)
-	-
69,301	97,890

40 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
(10,000)	Cash Receipts of Short & Long Term Borrowing	(66,000)
-	Other receipts from Financing Activities	-
2,544	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	2,267
1,619	Repayments of Short- & Long-Term Borrowing	-
5,934	Other Payments for Financing Activities	7,111
<u>97</u>	Net cash flows from financing activities	<u>(56,622)</u>

41 Cash Flow Statement – Cash and Cash Equivalents

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

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

42 Trust Funds

The Council administers 14 trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2013 was £92,971 (£92,508 at 31 March 2012). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £16,836 (£14,878 at 31 March 2012) all invested internally.

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

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

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

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

43 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party.
- 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. The Council has been asked to repay a proportion of the above amount which has been accounted for in 2012/13 accounts, but further amounts which cannot be quantified at this stage may be demanded from the Council in the future.
- As part of the single status agreement, made between the National Joint Council (NJC) 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 March 2008, backdated to the 1 April 2007. Employees had the option to appeal against the initial outcomes of the re-grading process and during 2012/13 the last of these were concluded.

- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied. Reimbursement of grants may be necessary if it is found that the Council has not met the term and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Housing) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m.
- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged

anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

44 Continent Assets

The Council's disposal programme had given rise to a contingent asset which related to funds held in retention by the purchaser. During 2012/13 the retention was released and an amount paid to the Council in full settlement.

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

The adoption of amendments to IAS 19 Employee Benefits by the Code will result in a change of accounting policy. This amendment will come into effect from 1 April 2013, and will amend the definition of the components of defined benefit costs. For current presentation see Note 7, page 17. The impact of this change is to increase the income statement by £2.2m.

46 Critical Judgement in Applying Accounting Policies

In applying the accounting policies, set out from page 66, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There remains uncertainty on future levels for funding for local government. The local government settlement was announced in December 2012 for 2013/14 and provisionally for 2014/15 financial years. The Council has produced a ten

year Medium Term Financial Strategy (MTFS), approved in early March 2013, which anticipates future funding reductions and the actions which will be taken in order to achieve a balanced budget. However, the impact of future funding announcements, of both the 'Budget 2013' of late March which announced additional funding cuts for 2014/15 and the 'Spending Review' in June 2013, means that there remains financial uncertainty of local government funding arrangements from 2014/15 onwards. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies.

- During 2010/11 the coalition government invited all schools in England to become Academies and encouraged parents to set up their own schools, called free schools. Some schools within the Peterborough area already have Academy status, two transferred status during 2012/13, and some are expected to convert in future years. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet and no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 20, page 40.

- The Council has three arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons:
 - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.
 - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14 Related Party Transactions.
 - Blue Sky Peterborough (BSP) – during the 2011/12 financial year the Council established an Energy Services Company (ESCo), BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As BSP is still in its infancy for 2012/13, the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional

value to the reader of the accounts that a note would not provide. Further information can be found in Note 15 Interest in Companies.

In addition, when considered in total, the three entities are also not material for consolidation.

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

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

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

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

48 Authorisation of the Accounts

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

49 Prior Period Adjustment

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

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

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

The Collection Fund and Notes

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

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

1 Calculation of Council Tax Base

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

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

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

2 National Non-Domestic Rates

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

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

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

3 Precepting Authorities

The Precepting Authorities are those as shown in the statement.

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

4 Provision for Doubtful Debts

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

Statement of Accounting Policies

General Principles

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

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

Accruals of Income and Expenditure

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

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

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

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

Carbon Reduction Commitment Scheme

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

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

Cash and Cash Equivalents

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

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

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

Available-for-Sale Assets

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

and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

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

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

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

Heritage Assets

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

Intangible Assets

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

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

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

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

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

Inventories and Long Term Contracts

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

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

Investment Properties

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

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

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

Council as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Services

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

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Disposals and Current Assets Held for Sale

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

The Council's accounting policy for the recognition of school-related assets reflects guidance issued by the Audit Commission. Property, plant and equipment assets and long term liabilities remain vested in the governing bodies of individual foundation and voluntary aided/controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided/controlled schools) have not been incorporated into the Council's Balance Sheet. The Council transfers academy school assets on a 125-year lease in accordance with national guidelines, and as such they are subject to lessor finance lease policies (see leases policy).

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the

expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Landfill Allowance Schemes

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

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

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

cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Value Added Tax (VAT)

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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PETERBOROUGH



CITY COUNCIL

Annual Governance

Statement – 2012/13



Annual Governance Statement

Scope of Responsibility

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

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

Peterborough City Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA /SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Peterborough City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 Regulation 4(3) in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the City Council is directed and

controlled and its activities through which it accounts to, engages with, and leads its communities. 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 services and value for money.

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 Peterborough City Council's policies, aims and objectives, to evaluate the likelihood of and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

We have had the governance framework in place from 1 April 2012, and up to the date we approved the Statement of Accounts.

The Governance Framework

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

application to local authorities and published in 2007. The six core principles state that good governance means:

- Focusing on the purpose of the Authority and on outcomes for citizens and service users;
- Performing effectively in clearly defined functions and roles;
- Promoting values for the whole organisation and demonstrating good governance through behaviour;
- Taking informed, transparent decisions and managing risk;
- Developing the capacity and capability of the governing body to be effective; and
- Engaging stakeholders and making accountability real.

The following paragraphs summarise the City Council's Governance Framework which has been in place for the year ended 31st March 2013 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 City Council, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the City Council achieves this:

- Members, working with officers, and its partners, have developed a clear vision of their purpose and intended outcomes for citizens and service users. The Peterborough Sustainable Community Strategy 2008 – 2021 sets out the overarching vision for the Council (and refreshed in 2010) to

ensure it continues to reflect the communities needs and changing circumstances. These are:

- *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.*
- In order to achieve the vision, four priorities have been established and these are then set out in a Single Delivery Plan detailing accountability and resources allocations across the partnership. 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
- By striving to deliver these priorities, the outcomes expected are:
 - Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;

- Improving educational attainment and skills for all of our children and young people allowing them to seize the opportunities offered by new jobs and our university provision thereby keeping their talent and skills in the city;
- Safeguarding children and vulnerable adults;
- The Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments;
- Supporting Peterborough's Culture Trust, Vivacity, to continue to deliver arts and culture in the city.
- Keeping our communities safe and cohesive
- 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. Any changes made are cascading through the organisation to inform and amend departmental delivery and business arrangements.
- The Council and neighbouring authorities, and their business, higher / further education and VCS partners have developed a Local Enterprise Partnership (LEP) to provide strategic leadership and joint working in areas such as housing, transport infrastructure, employment and enterprise.
- Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintaining appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via its Corporate Management Team (CMT).
- 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. These partnerships range from strategic to operational. The overarching vision for partnership working is set out in the SCS.
- A Medium Term Financial Plan (MTFP) and capital programme has been established to ensure that resources are aligned to priorities and was approved in February 2013. The budget process incorporates consideration of the allocation of resources against corporate aims and plans for any financial risks. The MTFP allows annual strategic review in the context of performance against aims and sets targets of efficiency improvement to release resources for use elsewhere. Monitoring reports are submitted to CMT and Cabinet and issues are referred to other Scrutiny Commissions / Committees as appropriate.
- Value for money underpins the strategic priorities. Through reviews by External Audit, external agencies, Internal Audit, and other 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 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 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 and uses the Cabinet model for decisions. This is made up 12 Members: - Leader, Deputy Leader, 7 Cabinet Members and 3 Cabinet Advisors who are responsible for proposing budgets and policies and taking key decisions in relation to their various portfolios. Cabinet business is governed by written procedures and principles contained in the Executive Decisions within the Constitution. Individual Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.
- As well as Cabinet, other Committees are in place to cover the functions of Scrutiny, Regulatory and Neighbourhood Committees.
 - Scrutiny – these 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 various Commissions / Committees are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented.
 - Regulatory – these consider a variety of non-executive functions which Cabinet, by law, cannot undertake or has been agreed should not be considered by Cabinet, for example, Licensing. They are all cross-party and with the exception of Audit Committee, can include cabinet members.
 - Neighbourhood – these were set up across the city to deliver improvements for the local area by identifying, overseeing, monitoring and driving actions to support all issues relevant to the area, including service delivery, service improvements and area developments. As part of the MTFS in February 2013, these were decommissioned.
- An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. It also now covers Member conduct.
- 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. It also details each Committees clear terms of reference and work programmes to set out their roles and responsibilities.
- 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. This allows stakeholders to be aware of decisions to be taken and secondly to whom representations can be made. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.

- Changes to services provided and new local government legislation during the year was integrated into the ongoing management of the Council. These included:
 - Organisational change:
 - Adult Social Care (from March 2012)
 - Public Health (shadowing from October 2012)
 - New legislation, but not an exhaustive list include:
 - Protection of Freedom Act 2012
 - Public Services (Social Value) Act 2012
 - Welfare Reform Act 2012
 - Health and Social Care Act 2012
- 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 CMT;
 - 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 City Council. They are 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; and
 - 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 conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the harmonisation agreement implemented in 2008, and are regularly refreshed and amended following consultation with Unions. The terms and conditions of members are set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme is approved by Council following preparation and review by an independent Panel at least annually.
- 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 (Strategic Resources) can report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of

stopping the proposal or decision being implemented until the report has been considered – none was produced in 2012/2013.

- The Council has 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 and Grievance procedures.
- The Council takes fraud, corruption and maladministration very seriously. Policies which aim to prevent or deal with such occurrences include the Anti Fraud and Corruption Policy and Fraud Response Plan; Confidential Reporting Code (Whistleblowing Policy); and Human Resources policies regarding disciplinary of staff involved in such incidents.
- We have an Audit Committee which follows CIPFA guidance. Its purpose is to provide independent assurance of the adequacy of the internal control environment and to oversee the financial reporting process. Following Annual Council its role has been expanded, and its membership from 7 to 8, as it has taken on the responsibility for the standards agenda from the Standards Committee (which has been disbanded) so that it has the full remit of responsibilities in respect of governance.
- Corporate Complaints procedures enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
- 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. Furthermore, the arrangements conform to governance requirements set out in the CIPFA "*Statement on the Role of the Chief Financial Officer in Local Government (2010)*". The Council is complying with minimum requirements of the Code of Recommended Practice for Local Authorities on data transparency, such as disclosing Executive salaries and £500 spending transactions.

- Full Council approves a balanced budget before the start of each financial year. This includes the MTFs, 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.

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.
- 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.

- 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 operates in line with appropriate regulations. Responsibility for Internal Audit rests with the Chief Internal Auditor who supports the Audit Committee and reviews its effectiveness annually. There is a managed audit approach which ensures that there is a coordinated approach between Internal Audit and External Audit to avoid duplication of effort. The Internal Audit plans is based on the high risks reported within the risk registers. The Constitution makes it clear that management have the responsibility for operation a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvements to the control environment. 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. 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. The Council undertook a fundamental review of its risk management approach, culminating in a revised strategy being adopted in November 2012 which also incorporates business continuity. Regular updates are provided to Audit Committee on its delivery.

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 Councils 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. The council has maintained its Investors in People award. In developing Members' skills, the Council has an overall development strategy in place.
- Audit Committee 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 an Audit Committee Handbook which is reviewed annually to ensure it is up to date together with appropriate technical releases from the CIPFA Better Governance Forum.
- 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 induction. In addition, key messages are given to all: such as freedom of information and data security, procurement and financial regulations. E-learning tool-kits have been set up to enhance on the job training.

- All officers have comprehensive job descriptions and person specifications and the Council has a process in place to review performance for all staff. Where capability issues are identified, appropriate processes are in place to try to resolve these.
- As the needs of Councils become more and more stretched by finite resources, alternative service delivery methods have been explored. This has led to a number of services being provided in partnership with the private sector. In addition, there has been a development of shared service arrangements with other councils, with Peterborough being the lead authority. These include arrangements with Rutland (for Legal Services and Trading Standards) and Cambridge City and South Cambridgeshire (for Internal Audit).

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 their views.
- Every year we carry out many consultation exercises. Arrangements are in place to enable engagement with all sections of the community. 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); Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.

- The Council has a number of significant partnerships and outsourced contracts. These are:
 - Greater Peterborough Partnership – our local strategic partner;
 - Peterborough Culture and Leisure Trust (Vivacity);
 - Opportunity Peterborough;
 - Enterprise - An outsourced partnership for the provision of street scene activities previously undertaken by City Services;
 - SERCO – Provision of Council back office facilities, including revenues and benefits and ICT services; and
 - Health and Well Being Board - Overseeing expectations and service deliverables following the transfer of various activities from the PCT back to the Council.

Review of Effectiveness

The Council 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:

- Member engagement is ensured by:
 - 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 scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
 - Audit Committee meet 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. It now has the combined remit to oversee Member conduct.
- 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. 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. Management of the Internal Audit function conforms to the principles contained in CIPFA's "*Statement on the Role of the Head of Internal Audit in Local Government (2010)*" and the "*Public Sector Internal Audit Standards*" effective from 1 April 2013.

- The Governance Team within Legal and Democratic Services undertakes investigations and detection work in relation to benefit fraud and corporate fraud.
- 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 MTFS 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, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
- A number of areas where identified in the proceeding Annual Governance Statement and an update has been included on our progress to improve governance regarding these issues. 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 for the financial year 2011 / 2012, and was discussed and endorsed at meetings of the Cabinet and Audit Committee with an unqualified audit opinion on the financial statements.

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 this year 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. 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.

Significant Governance Issues

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. 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 overleaf.

2011/12 Governance Issues: Progress to Date	
Issue	Progress
<p>Implementation requirements of new legislation with governance implications, for example, the Localism Act.</p> <p>Robust arrangements are required to ensure that the Council introduces appropriate policies and procedures to deliver new legislation. Recent examples include:</p> <ul style="list-style-type: none"> • The Bribery Act (from July 2011). Creating offences of offering or receiving bribes, bribery of foreign public officials and of failure to prevent a bribe being paid on an organisations behalf. • The Localism Act (from November 2011). Devolving greater powers to local communities over housing and planning decisions, including Right to Challenge and Right to Bid for assets. <p>Lead Officer: Solicitor to the Council</p>	<p>Changes have been made to the Constitution – which have all been submitted to Council for approval – and governance processes to incorporate aspects of all new legislation have been implemented.</p> <p>Members are kept informed through All Party Policy meetings and the monthly Member Bulletins.</p>
<p>Establishment of a Local Scheme to administer welfare payments</p> <p>Various changes are proposed through the Welfare Reform Bill which will impact on how the Council pays and delivers its services. The Council will have to establish a local scheme and evaluate the impact on claimants and council services.</p> <p>Lead Officer: Executive Director of Strategic Resources</p>	<p>In its 2010 Spending Review the Government announced that it would localise support for Council Tax from April 2013 and at the same time reduce expenditure by 10%. The Councils MTFs approved by Council in February 2012 was based on a local scheme being adopted and resulting in no additional pressure on the council's budget. Following an Equality Impact Assessment and a six week public consultation Cabinet approved a local scheme that reduced benefit awards by 30% on 21 January 2013. Full Council then approved the scheme on 30 January 2013. The scheme was implemented on 1 April 2013.</p> <p>Peterborough Community Assistance Scheme is in place to review the impact of welfare reform and is under formal review until the end of June 2013. There is a Welfare Reform Action Group in place made up of senior management from the</p>

2011/12 Governance Issues: Progress to Date	
Issue	Progress
	Council, Voluntary Sector organisations and other interested parties to review the scheme and modify as necessary. As new elements of Welfare Reform are rolled out, ongoing monitoring and change will implemented. This issue will roll forward into 2013/2014.
<p>Transfer of Adult Social Care</p> <p>Adult Social Care Services reverted to the local authority environment from February 2012. While there has been an initial smooth transfer of activities / services there is a need to review the processes and procedures so that there is efficient integration</p> <p>Lead Officer: Director of Adult Social Care</p>	<p>Adult Social Care is undergoing major transformation to deliver care and support in line with a clear outcome focused approach to personalisation. This promotes independence and reduced demand for ongoing statutory support through advice and information, prevention, reablement, transitional support and ongoing support for adults with substantial / critical needs.</p> <p>This requires a new approach to assessment and care management which is under development with the council's strategic partner, Serco. Current services are in the process of being reviewed and re-commissioned to align with the vision.</p> <p>This will continue into 2013/2014.</p>
<p>Safeguarding</p> <p>Process and delivery improvements are required following poor service inspections within Children's Services. Delivery against an agreed OFSTED Action Plan requires effective monitoring and immediate action to address any shortfalls.</p> <p>Lead Officer: Executive Director of Children's Services</p>	<p>The Interim Director of Children's Services has strengthened the senior management arrangements in Children's Services with the effect of a renewed focus on service improvement. From April 2012 a more robust approach to performance management was introduced and evidence of steady improvement against actions within the Ofsted Action Plan and the Improvement Plan that followed the Improvement Notice was evident. These improvements have been validated by monthly External Improvement Board and culminated in a positive Ofsted Safeguarding Inspection in January 2013 where an overall judgment of Adequate was secured.</p> <p>While the LA remains subject to intervention, confidence in respect of improvement is such that PCC has written to the Children's Minister requesting that consideration be given to lifting the Improvement Notice. An outcome to the request is currently awaited. It is understood that any reservations on the part of the Minister are likely to be linked to the issue of sustainability given the history of the City in this regard.</p>

2011/12 Governance Issues: Progress to Date	
Issue	Progress
<p>Equalities and Diversity</p> <p>The Council needs to improve on its arrangements to undertake Equality Impact Assessments (EIA) and embeds these within its Service Delivery Plans</p> <p>Lead Officer: Executive Director of Operations</p>	<p>There has been a marked improvement in the arrangements for completion of EIA and are included in Committee papers where appropriate.</p>
<p>Information Governance</p> <p>The Council needs to demonstrate that arrangements are in place for the security of information when it is taken out of the workplace, either on portable devices or where systems are accessed remotely via mobile or home based working or manual information</p> <p>Lead Officer: Solicitor to the Council</p>	<p>Information Governance has a high profile across the Council. The Council has established a Data Protection Working Group to oversee its development and compliance. There are strong processes established for the use of and security of data. It has signed up to a county wide Data Sharing Protocol and put in place procedures for reporting any breaches. The Council works in partnership with its ICT provider, Serco, to monitor data usage.</p> <p>This will continue into 2013/2014.</p>
<p>Risk Management and Business Continuity</p> <p>There has been a repositioning of risk management and business continuity within the Council. There is a need to reappraise the effectiveness of the risk management process and to refresh business continuity and emergency planning arrangements, including undertaking a mock exercise.</p> <p>Lead Officer: Executive Director of Operations</p>	<p>A revised Risk Management and Business Continuity Strategy was approved by Audit Committee in November 2012. There is ongoing work to embed risk management across the Council and regular reports are submitted and discussed with Directors. Similarly, update reports on risk are referred to Audit Committee.</p> <p>With regard to business continuity, the Council has identified those key systems critical to the ongoing delivery of services should there be an emergency plan activated. Further work is to be commissioned to verify that our plans are effective and various mock exercises will be planned for 2013/2014. This governance issue will roll forward.</p>

2012 / 2013 Governance Issues:

Ongoing governance issues which have rolled forward are:

- Monitoring of the impact of Welfare Reform;
- Adult Social Care transformation;
- Information Governance; and
- Risk management and business continuity

The following new areas have been identified during the year for resolving:

New Governance Issue	
Issue	Lead Officer
<p>Children in Care</p> <p>Arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain social workers to maintain stable safeguarding arrangements.</p> <p>It is generally understood that improvements made in safeguarding services can lead to an increase in the children in care population. This is a result of risks being better identified and intervention being more robust where previously there may have been adrift. What can be expected over a period of around three years is that rise in numbers evens out and then starts to reduce as difficulties are identified at an earlier stage and interventions more effectively targeted to prevent deterioration and ensure remedial action is timely. Any increase in numbers of looked after children represents potential budgetary pressures however there are mitigating actions being put in place. These form the basis of the strategy and include:</p> <ul style="list-style-type: none"> • Providing robust early intervention and family support to prevent the need for children coming into care • Reduce the period of time children spend in care by timely progression of rehabilitation plans, adoption and Special Guardianship applications • Ensure placements made represent value for money by increasing the use of high quality in house carers including maximising the use of family and friends carers, reduce the reliance on independent sector foster placements, and reduce the use of residential care. • Ensure caseloads are reduced to acceptable and therefore manageable sizes. <p>Replacement of agency staff with permanent social workers</p>	<p>Executive Director of Children’s Services</p>

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New Governance Issue	
Issue	Lead Officer
<p>Commissioning and Partnerships</p> <p>Commissioning and partnerships with other local authorities and sectors are used as vehicles for delivering public services. These create special challenges for clear accountability and good governance. Shared services between organisations can bring substantial benefits, including cost savings for the parties involved, although at the same time there are distinct issues surrounding what happens if something goes wrong. There is a need to ensure that clear governance is established.</p>	Chief Executive
<p>Integration of new services as a result of the Health and Social Care Act 2012</p> <p>PCC inherited new public health functions from April 2013. Services, staff and contracts transferred from local and national NHS bodies. PCC must integrate these new functions at both strategic and delivery level.</p> <p>With the appointment of a Director of Public Health and establishment of a Health and Wellbeing Board, the challenge is to ensure that following transfer the functions are carried out in accordance with PCC's governance and decision-making frameworks.</p>	Public Health Executive Director
<p>Robust Financial Strategy to allow for implementing changes following the Local Government Resources Review</p> <p>Ongoing financial pressures need to be carefully managed. Future spending reviews could result in difficult decisions being made which will need appropriate analysis for effective decision making with robust financial management arrangements in place. In light of the identification of undeclared VAT on expenditure at Westcombe, there is a need to ensure that there is review of all "unusual" council business activities.</p>	Executive Director of Strategic Resources
<p>Embedding Corporate Governance</p> <p>Communication of corporate governance (or key aspects of it) to staff and others to ensure it is understood and embedded. As the organisation changes and new arrangements start to be embedded there is a fundamental need to ensure that corporate governance is at the forefront of these changes so as to ensure that both stakeholders, service providers and staff are protected.</p>	Solicitor to the Council

Certification

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

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

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

Signed:

Gillian Beasley, Chief Executive

Date:


Signed:

Councillor Marco Cereste, Leader of the Council

Date:

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AUDIT COMMITTEE	AGENDA ITEM No. 10
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	 384 557

FEEDBACK REPORT

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. APPENDICES

Appendix 1 - Feedback Responses

AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2013 - APRIL 2014

DATE ISSUE RAISED	AGENDA ITEM / ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
24/6/13	To provide clarification over whether payments made via salary compromise agreements over and above £50k should be disclosed within the Statement of Accounts.	Steven Pilsworth	Information to follow	
24/6/13	To confirm when the valuation review for the Council's agricultural estate had been conducted and when the next one was due.	Steven Pilsworth	Information to follow	
24/6/13	To provide a report to Audit Committee over the Council's authority to allocate an unspecified amount of money to projects such as the Invest to Save Scheme.	Kim Sawyer	Report to be presented to Audit Committee on 23 September 2013	

24/6/13	Provide details over which areas had been included within the cleansing contract provided by the Enterprise Contract for the Sainsburys Bretton to Thorpe Wood roundabout area. The information was to detail the differences between what City Services had provided before it was taken over by Enterprise Peterborough.	Councillor Seaton	<p>1. Copeland Centre - Cllr Elsey has arranged the cleaning here. It was not within the Enterprise contract.</p> <p>2. Sainsburys to Thorpe Wood - the verges are cut every 2 weeks and the litter in the verges picked as part of this work schedule. The road sweeper is on an 8 week cycle for road channels. Enterprise are to do an extra check of the central reservation and if required a team will do a litter pick this week.</p> <p>As I mentioned at Committee, the Enterprise contract is regularly reviewed by a separate Scrutiny function so if there are any questions these can be raised with group reps.</p>	3 July 2013
24/6/13	A report to be produced and provided to Audit Committee regarding the current levels of scrap waste stock held at Westcombes.	Councillor Seaton/ Steve Crabtree	Internal Audit have followed up the issues raised by Audit Committee and a separate update has been circulated to Members.	

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AUDIT COMMITTEE	AGENDA ITEM No. 11
23 SEPTEMBER 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557
	Karen Dunleavy, Governance Officer	☎ 452 233

WORK PROGRAMME

1. ORIGIN OF REPORT

1.1 This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the:

- Work Programme for 2013 / 2014.

2. UPDATE

2.1 Work Programme 2013 / 2014

The Work Programme is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

3. APPENDICES

3.1 Appendix A – Work Programme 2013/14

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WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 6 JUNE 2013			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 27 March 2013	Democratic Services Karen Dunleavy	
* NEW *	Outcome of Standards Complaints under the previous regime (pre July 2012)		
Standard	Feedback Report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	

WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 24 JUNE 2013			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 6 June 2013	Democratic Services Karen Dunleavy	
	Internal Audit: HoIA Opinion 2012 / 2013	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on Internal Audit activities for the year ended 31 March 2013
	Internal Audit: Review of Effectiveness	Internal Audit Steve Crabtree	To receive, consider and endorse the annual review of the effectiveness of Internal Audit for the year ended 31 March 2013 together with any associated action plan
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2013
	Budget Monitoring Report Final Outturn 2012 / 2013 and the Draft Statement of Accounts	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2013 and the draft Statement of Accounts
* NEW *	Invest To Save Update	Finance Steven Pilsworth	Following a Member request to External Audit to review the Invest to Save scheme, PwC will provide an update on their works
	Other Governance Reports	Governance Diane Baker	Subject to new policies needing approval
	Member Reports	Governance Diane Baker	Dependent on updates
Standard	Feedback Report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	

WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 23 SEPTEMBER 2013			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 24 June 2013	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Operations Kevin Dawson	To receive an update on the strategic risks for the Council
	Compliance Team Annual Report 2012 / 2013	Governance Diane Baker	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2013
	Regulation of Investigatory Powers Act (2000): Quarterly Report 1	Governance Diane Baker	To receive an update of RIPA during the 3 months to 30 June 2013
	Audit of Statement of Accounts To Those Charged with Governance	Finance Steven Pilsworth	To receive the final Statement of Accounts for the year ended 31 March 2013 and the annual report to those charged with governance following their scrutiny by External Audit
	Other Governance Reports	Governance Diane Baker	Subject to new policies needing approval
	Member Reports	Governance Diane Baker	Dependent on updates
Standard	Feedback Report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	

WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 4 NOVEMBER 2013			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 23 September 2013	Democratic Services Karen Dunleavy	
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Treasury Management	Finance Steven Pilsworth	To receive an update on the policy and effectiveness of treasury management
	Use of Consultants	Finance Steven Pilsworth	To receive an update on the Use of Consultants across the organisation
	Regulation of Investigatory Powers Act (2000): Quarterly Report 2	Governance Diane Baker	To receive an update of RIPA during the 3 months to 30 September 2013
	Other Governance Reports	Governance Diane Baker	Subject to new policies needing approval
	Member Reports	Governance Diane Baker	Dependent on updates
* DATE CHANGE *	Whistleblowing Policy	Governance Diane Baker	Original policy scheduled for September 2013.
Standard	Feedback Report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	

WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 3 FEBRUARY 2014			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 4 November 2013	Democratic Services Karen Dunleavy	
	External Audit: Report to Management	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	External Audit: Annual Audit Letter	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	External Audit: Grant Claims Annual Certification	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	Other Governance Reports	Governance Diane Baker	Subject to new policies needing approval
	Member Reports	Governance Diane Baker	Dependent on updates
Standard	Feedback Report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	

WORK PROGRAMME 2013/14

Training for Members on specific aspects of the Audit Committee agenda items are available through the year and will be arranged on request and will take place on separate day to that of the Committee meeting.

DATE: 24 MARCH 2014			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest and Whipping Declarations		
Standard	Minutes of the Meeting Held on 3 February 2014	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Operations Kevin Dawson	To receive an update on the strategic risks for the Council
	External Audit: Audit Plan	PwC	To receive and approve the External Audit Plan
	Internal Audit: Draft Internal Audit Plan 2014 / 2015	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2014 / 2015
	Effectiveness of the Audit Committee	Internal Audit Steve Crabtree	To receive an update on the effectiveness of the Audit Committee together with an Action Plan to address any shortcomings
	Draft Annual Audit Committee Report	Democratic Services Karen Dunleavy	To receive the Draft Annual Audit Committee Report prior to submission to Council
	Regulation of Investigatory Powers Act (2000): Quarterly Report 3	Governance Diane Baker	To receive an update of RIPA during the 3 months to 31 December 2013
	Member Reports	Governance Diane Baker	Subject to new policies needing approval
Standard	Feedback Report	Democratic Services Karen Dunleavy	Dependent on updates
Standard	Work Programme 2013 / 2014	Democratic Services Karen Dunleavy	