

## AUDIT COMMITTEE

MONDAY 21 SEPTEMBER 2015

7.00 PM

Bourges/Viersen Rooms - 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 for Absence**

2. **Declarations of Interest**

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 Head of Legal Services.

3. **Minutes of the Meeting Held on 29 June 2015**

3 - 8

To approve the minutes of the meeting held on 29 June 2015.

4. **Audit of Statement of Accounts To Those Charged with Governance**

9 - 182

To receive the final Statement of Accounts for the year ended 31 March 2015 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.

5. **Risk Management: Strategic Risks**

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To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.

### INFORMATION AND OTHER ITEMS

6. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

205 - 208

7. **Approved Write-Offs Exceeding £10,000**

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 29 June 2015, which exceed the Council's Financial Regulation threshold of £10,000.

8. **Feedback Report**

**209 - 216**

9. **Work Programme**

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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 Karen S Dunleavy on 01733 452233 as soon as possible.

#### **Emergency Evacuation Procedure – Outside Normal Office Hours**

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<http://democracy.peterborough.gov.uk/documents/s21850/Protocol%20on%20the%20use%20of%20Recording.pdf>

#### **Committee Members:**

Councillors: Aitken (Vice Chairman), S Scott, D Over, Sylvester, K Sharp, F Fox, A Shaheed and S Lane

Substitutes: Councillors: C Harper, Johnson, D Harrington, Whitby, N Sandford and J R Fox

Further information about this meeting can be obtained from Karen S Dunleavy on telephone 01733 452233 or by email – [karen.dunleavy@peterborough.gov.uk](mailto:karen.dunleavy@peterborough.gov.uk)

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## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 29 JUNE 2015**

Present: Councillors Coles (Chairman), Aitken (Vice Chairman), Over, Sharp, F Fox, Davidson, Lane, Sylvester.

Officers in

Attendance: John Harrison, Corporate Director Resources  
Steven Pilsworth, Service Director Financial Services  
Steve Crabtree, Chief Internal Auditor  
Kirsty Nutton, Financial Services Manager - Corporate Accounting  
Karen S Dunleavy, Democratic Services Officer

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Shaheed and Sandford. Councillor Davidson was in attendance as a nominated substitute.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3. MINUTES OF THE MEETING HELD ON MONDAY, 16 MARCH 2015**

The minutes of the meeting held on Monday, 16 March 2015 were approved as an accurate and true record.

### **4. BUDGET MONITORING REPORT FINAL OUTTURN 2014 / 2015**

The Corporate Director Resources and Financial Services Manager - Corporate Accounting introduced the report to Audit Committee on the final position for both the revenue budget and capital programme, which required the Audit Committee to approve the reserves position as part of the Council's statement of accounts.

The key points highlighted included:

- Corporate Overview;
- Financial Report – Revenue Outturn;
- Financial Report Capital;
- Financial Report – Treasury Management Activity for 2014/15;
- Financial Report – Performance Monitoring;
- Revenue Monitoring Report at End of March 2015;
- Treasury Management Strategy – Prudential Indicators – 2014/15;
- Performance Monitoring; and
- The Governments new budget announcement was due on 8 July 2015, which had been anticipated to propose spending cuts for Public Health.

The Corporate Director Resources responded to comments and questions raised. In summary responses included:

The budget pressure of £25m for 2015/16 had mainly been imposed by the Government through grant reductions, but also in relation to challenging circumstances such as an

increase in the aging population, implementation of new legislation, safeguarding for children and investment in growth for the City.

### **The Committee:**

Approved:

1. The reserves position for the Council.  
The Audit Committee also noted:
2. The final outturn position for 2014/15 (subject to finalisation of the statutory statement of accounts) of a balanced position on the Council's revenue budget, after the use of £0.6m from reserves to support the budget, which is less than forecast as actions had reduced pressures;
3. The final outturn spending of £108.8m under the Council's capital programme 2014/15;
4. The performance against the prudential indicators;
5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments; and
6. The forecast budget gap of over £10m for 2016/17 was expected to increase with the update of national expenditure plans, and that Cabinet may need to review 2015/16 plans in light of the budget to be released on 8th July.

## **5. DRAFT STATEMENT OF ACCOUNTS 2014/2015**

The Corporate Director Resources and Financial Services Manager introduced a report to Audit Committee Members, which had been informed by the regular pattern of reporting on the Council's financial position. The Corporate Director Resources also advised Audit Committee Members that the accounts must be signed and certified by 30 June 2015, by the Council's Section 151 Officer (Corporate Director Resources), in accordance with the Accounts and Audit Regulations 2011.

The key points within the report included:

- Format of the Accounts;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet at 31 March 2015;
- Reserves and Balances;
- Schools;
- Audit Fee; and
- Next Steps - approval, signing, inspection and audit.

The Corporate Director Resources and Financial Services Manager responded to comments and questions raised by Members. In summary responses included:

- The increased deficit figures for pensions fund actuary assumptions had been due to the mortality rate of scheme members and investment market performance;
- The pensions fund deficit shown in the statement of accounts reflected the amount that the Council would be required to meet if pay out was required immediately;
- The pensions fund actuary had completed a valuation every three years and had recommend that the Council make a lump sum investment each year over the next three years alongside a reduced contribution rate;
- Foundation school (FS) assets had been included on the Council's balance sheet as a result of a clarification paper produced by The Chartered Institute of Public Finance & Accounting (CIPFA). This amendment to the accounts better reflected the legal position if foundation schools ceased to operate in their current form and the

responsibility for the school asset should come back into direct Local Authority control;

- The Council held a duty to monitor foundation school finances, however, cannot access school balances and reserves. The responsibility for FS funds remained with head teachers, despite the amendment in accounting treatment and presentation;
- The statement of accounts did not contain any figures on schools performance, only on the types of school within the Local Authority area;
- The £78.8m loan amount had been taken out to support the Council's capital programme, which would support initiatives such as the energy for waste project. An affordability review was produced annually as part of the Medium Term Financial Strategy (MTFS) which assessed the implications of the Council's borrowing commitments and proposals;
- The sale of Council's assets could not be relied upon to offset the Authority's borrowing amount, as there were certain buildings and assets that could not be utilised in respect of lowering the financial commitment, such as the sale of the Town Hall; and
- The Council was obliged to publish a disposal asset plan as part of the budget as contained within the Medium Term Financial Statement (MTFS).

#### **The Committee:**

Reviewed and commented on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2015.

#### **The Committee also agreed that:**

That the Service Director of Financial Services would provide a briefing note to Members of the Audit Committee to outline the implications of the Bourges Boulevard developments completion delay to include:

- Estimated completion date for the works;
- How the project was being financed, including which external grants had been secured; and
- Whether the additional timescale had impacted on the cost of the scheme.

## **6. INVESTIGATIONS TEAM ANNUAL REPORT 2014 / 2015**

The Chief Internal Auditor introduced a report to the Audit Committee which outlined a scheduled report on fraud and irregularity in accordance with the established Work Programme.

The key points highlighted included:

- The fraud value of £188m identified by the Audit Commission for local government bodies;
- The Council would submit data to the Audit Commission on a two yearly basis;
- Some of the issues highlighted were not necessarily due to fraud, but to data error;
- All irregularities highlighted would be investigated; and
- Types of investigations included internal investigations, some benefit fraud and blue badges;
- A lot of cases of benefit fraud were intercepted before it happened;
- Council tax overpayments; and
- Some of the fraud work had transferred over to the single fraud investigations within Department of Work & Pensions (DWP).

The Chief Internal Auditor responded to comments and questions raised by Members. In summary responses included:

- Out of the 17 disciplinary cases investigated by the Council, five cases were upheld and valid;
- In the main, blue badge fraud investigations were conducted by Council officers undertaking inspection of car parks;
- The investigation costs and time taken were recoverable over a length of time, such as for cases of housing benefits fraud. These costs had been recoverable by attaching them to the prosecution costs incurred or surcharges attached to sanctions imposed by means of benefit reductions applied to the claimant, which was spread over a period of time;
- The DWP fraud cases could ultimately result in a custodial sentence, which may include sanctions such as community service, plus the recovery of costs; and
- A deceased persons list issued by the DWP would be utilised to cross reference against entries on the benefit claims checking system. However, in some cases a time lapse could be experienced in receipt of the information from the DWP, to when the information was relied upon.

**The Committee:**

Received, considered and endorsed the annual report on the investigation of fraud and other issues for the year 2014 / 2015.

**7. INTERNAL AUDIT: ANNUAL AUDIT OPINION 2014 / 2015**

The Chief Internal Auditor introduced a report which provided detail of the performance of Internal Audit during 2014 / 2015 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council. The Chief Internal Auditor also informed Members of the Audit Committee that there had been some audit areas, which had flagged up as limited or no assurance.

The Chief Internal Auditor responded to comments and questions raised by Members. In summary responses included:

- The recommendations made by the Audit Team over high risk issues would be followed up after a six month period;
- The Audit Team held a service level agreement with vivacity to undertake private internal audit services for the Council's partner company, however the information pertaining to the outcome of the audit would not be included within the PCC Audit Opinion report; and
- An action plan was produced as a matter of course for the service manager where a high risk level had been identified following an audit. It was within the service manager's best interest to comply with the action plan.

**The Committee:**

Received, considered, provided challenge to and endorsed the Chief Internal Auditor's annual report for the year ended 31 March 2015.

**8. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2014 / 2015**

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Annual Review of the Effectiveness of Internal Audit – 2014 / 2015, which was submitted as part of the Audit Committee Work Programme for 2015 / 2016. The Chief Internal Auditor advised Members of the Audit Committee about the work currently being undertaken in order to prepare for all Councils audit peer reviews in 2015 / 2016.

Key points highlighted included:

- Internal Audit Effectiveness;
- Staff Resources;
- Training and Experience;
- External Audit Opinion;
- Public Sector Internal Audit Standards (PSIAS);
- Statement of Role of Head of Audit;
- Risk Management and governance arrangements;
- Audit Committee; and
- Compliance and Quality Improvement Plan.

In response to a question raised by Members of the Audit Committee, in regards to Council shared services, the Chief Internal Auditor advised that an option to use external auditors for peer reviews would be for all Councils to procure and appoint as appropriate.

**The Committee:**

1. Considered and endorsed the annual review of the effectiveness of Internal Audit 2014 / 2015.

**9. DRAFT ANNUAL GOVERNANCE STATEMENT**

The Chief Internal Auditor introduced a report to Members of the Audit Committee which was submitted as part of the annual closure of accounts process and was included in the Audit Committee Work Programme for 2015 / 2016.

The key points highlighted included:

- Self-assessments conducted throughout all Council departments;
- Scope of the annual governance statement;
- Arrangements for compiling the annual governance statement;
- Supporting evidence;
- Audit questions posed across the Council followed by depth testing;
- Significant Governance issues, such as the counter fraud transfer of staff to DWP and the recent ward boundary commission; and
- Service delivery models and the Governance arrangements.

The Chief Internal Auditor responded to comments and questions raised by Members. In summary responses included:

- Performance management covered all aspects of the Council's work such as the effectiveness of monitoring the budget, debt levels and staff sickness levels;
- Procurement arrangements would check that the contract standing orders had been correctly applied for the Council's buying activities; and
- The sample test issues that had been included within the report were ongoing, in addition to new ones identified.

**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. Subject to changes identified, agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2015.

## **INFORMATION AND OTHER ITEMS**

### **10. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Committee noted that there were no RIPA authorisations made in this quarter.

The Chief Internal Auditor advised Members that a report was due to be presented to Audit Committee following a recent Surveillance Commission inspection.

### **11. APPROVED WRITE-OFFS EXCEEDING £10,000**

The Committee noted that there had been no write-offs for the Council exceeding £10,000.

### **12. FEEDBACK REPORT**

The Democratic Services Officer introduced a report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

**The Committee:** Noted the report.

### **13. WORK PROGRAMME**

The Chief Internal Auditor submitted the latest version of the Work Programme for the Municipal Year 2015/2016 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2015/2016 together with any training needs identified.

In clarification sought by Members of the Audit Committee (AC), the Service Director of Financial Services confirmed that the Council's external auditor responsibility, would transfer to Ernst and Young mid-year and that they were expected to be in attendance at the AC meeting, which was due to be held on 21 September 2015.

**The Committee:**

Noted and approved the 2015/2016 Work Programme.

**The Committee also agreed that:**

The Service Director of Financial Services would provide an update to Members of the Audit Committee outlining any implications for the Council following the pending July 2015 budget announcements.

7.00pm – 8:16pm  
Chairman



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

**2014/15 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS**

RECOMMENDATIONS	
<b>FROM :</b> John Harrison, Corporate Director Resources	<b>Deadline date :</b> 21 September 2015
The Audit Committee is asked to:-	
<ol style="list-style-type: none"> <li>1. Receive and approve the “Report to those charged with governance (ISA260) 2014/15 Audit” from PricewaterhouseCoopers (PwC), the Council’s external auditors.</li> <li>2. Receive and approve the audited Statement of Accounts 2014/15.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee following a referral from the s151 Finance Officer.

**2. PURPOSE AND REASON FOR REPORT**

- 2.1 The purpose of this report is for Audit Committee to:
- Receive and note the “Report to those charged with governance (ISA260) 2014/15 Audit” from PwC on behalf of the Council.
  - To receive and approve the audited Statement of Accounts.
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.18 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 and 2.2.19 to consider the external audit report to those charged with governance on issues arising from the audit of accounts.

**3. TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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**4. MAIN BODY OF REPORT: 2014/15 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS**

**2014/15 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 2014/15 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.
  - b) **Audit approach** – notes three significant risks that are common in all audits undertaken, fraud and management override of controls, recognition of income and expenditure and valuation of property, plant and equipment. There was also one elevated risk as a result of changes in the accounting guidance for schools’ non-current assets. PwC found no issues to report to the Audit Committee. They discuss some key areas of judgement related to these risks later in the report.
  - 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 eight items outstanding at the time the report is written. Two of those items relate to areas of work the audit team are required to complete, these are review of the Cash Flow Statement and review of the detailed disclosures in the revised Statement of Accounts. One item relates to two approvals required at this meeting and another is completed after Audit Committee. The remaining items relate to information awaited to confirm testing undertaken, largely from external bodies, and are outstanding due to the timing of writing the report. PwC will provide an update on these at the meeting.
    - Accounting Issues – Four areas are highlighted (considered in greater detail in 4.5 of this report):
      - Valuation of the Authority’s Property Plant and Equipment (PPE)
      - Lack of reconciliation of gross internal area (GIA) documentation.
      - Accounting for schools’ non-current assets
      - Pension liability on the Authority balance sheet
    - Misstatements and significant audit adjustments – There were no misstatements to report.
    - Economy, efficiency and effectiveness – work has not yet been completed by PwC on this, however the report notes that an unqualified value for money conclusion is anticipated to be issued.
  - d) **Internal Controls** – there were two internal control deficiencies found during the audit, which PwC believe should be brought to your attention, one of which relate to the lack of reconciliation of Gross Internal Area (GIA) documentation and the other relates to access to data files and super user access to applications. Neither of these were deemed significant. Further details of these are given in section 4.6 of this report.
  - 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** – as anticipated in the Audit Plan, additional work has been undertaken to address additional areas of risk facing all local authorities, which has led to increased fees.

**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. Valuation of the Authority’s Property Plant and equipment (PPE).</p> <p>The Authority engaged its property valuer, Wilks Head &amp; Eve LLP (“WHE”), in 2014/15 to perform a valuation exercise for 20% of the Authority’s PPE and to assess the unvalued 80% of the Authority’s PPE and whether a material movement had occurred. WHE also valued the Authority’s Investment Properties. Our valuation experts have reviewed the assumptions and methodologies used by the Authority’s external valuation expert. We draw your attention to one matter in relation to these assumptions, which is one we have raised in previous ISA 260 reports - 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>As in previous years, this matter regarding the assumptions has 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.</p> <p>We have compared the land valuations provided by WHE against a range of expected market values for the local area provided by our PwC valuers. We are satisfied that the land valuations are within this range.</p>	<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>This issue has been raised in previous years, and is recognised as professional differences of opinion between valuers.</p> <p>Management is pleased to note that PwC are not minded to challenge the valuations recorded in the accounts.</p>
<p>2. Lack of reconciliation of Gross Internal Area (GIA) documentation</p> <p>The Authority’s property valuer, Wilks Head &amp; Eve LLP (“WHE”), prepare their valuation of certain properties based on the gross internal area (GIA) of that property. This information is provided to WHE by the Authority and therefore any errors in this could impact the valuation and ultimately the amounts included in the Balance Sheet.</p> <p>In testing the GIAs on the valuation certificates back to supporting documentation (e.g. information on the Authority’s asset register, floor plans and lease</p>	<p>Management are pleased to note the conclusion that the amounts on the valuation certificates are appropriate.</p> <p>It is accepted that there are discrepancies in the GIA information and steps will be taken to address this through reviewing working practices and by including a review of any large differences in the GIA recorded on the valuation certificate and the information held by the Authority as part of the Asset Register year-end checklist.</p>

PwC Report	Management Comment
<p>documentation), we noted large differences which could not be easily explained by officers, in for 4 out of 6 properties tested.</p> <p>Investigation into these difference has identified the differences are due to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Floor plans being out of date;</li> <li><input type="checkbox"/> The Authority owning only part of the asset; and</li> <li><input type="checkbox"/> Finance lease agreements being in place for part of the asset.</li> </ul> <p>Where WHE have updated the GIA based on a remeasurement of the site, this information has not been updated in the Authority's asset register.</p> <p>In relation to outdated floor plans, WHE identified this during their valuation work, re-measured the sites and used the revised measurement within their valuation. In relation to the remaining bullet points, we noted that the Council's fixed asset system only identified the size of the whole asset and did not take into account floor sizes of partly owned assets or leased assets. These matters had however, been taken into account, by WHE in their valuations.</p> <p>Our work in this area has concluded that the amounts on the valuation certificates are appropriate and therefore no adjustments have been made to the accounts as a result of this matter.</p> <p>However, we have included this matter within our Internal Controls section [page 21 of PwCs report], as we believe it represents a control weakness within the accounting for capital as GIA information should be current and accurate.</p>	
<p>3. Accounting for schools' non-current assets</p> <p>In accordance with the Code of Practice on Local Authority Accounting 2014-15 ('the Code') and LAAP Bulletin 101 CiPFA's Local Authority Accounting Panel (LAAP) bulletin 101, the Authority has reviewed its treatment on accounting for schools' non-current assets. In summary terms, the guidance requires schools' noncurrent assets to be included on the Authority's Balance Sheet if they are controlled by the Authority as a result of past events and from which future economic benefits or service potential are expected to flow to the Authority.</p> <p>Control over the asset must be based on rights that are either legal or substantive.</p> <p>The Authority's assessment of the accounting treatment concluded that for:</p>	<p>We engaged with PwC at an early stage to discuss the updated guidance and outlined our proposed treatment at the interim audit stage.</p> <p>Work is ongoing within legal to ensure the title deeds for the land of the 5 schools in question are updated to reflect the statutory transfer to the Diocese required by the School Standards and Framework Act.</p> <p>As we are in the process of transferring ownership of these assets, and are obliged to treat the assets as if ownership had already transferred, we did not feel that bringing these assets onto our balance sheet would present the users of the accounts with a true and fair view of the council's position for the year ended 31 March 2015.</p> <p>We are pleased that PwC find our judgements acceptable and are fully disclosed within note</p>

PwC Report	Management Comment
<p><input type="checkbox"/> Foundation schools – control is with the school. However, as these schools are local authority maintained and therefore consolidated into the Authority’s financial statements, these school’s noncurrent assets have also been brought on to the Authority’s Balance Sheet.</p> <p>The Authority has undertaken a prior period adjustment to recognise these assets. We have reviewed the prior period adjustments made and are pleased to report that we have no matters which we wish to bring to the attention of the Committee.</p> <p><input type="checkbox"/> Voluntary aided / voluntary controlled schools – control is with the governing body and not the Authority. Therefore these assets have not been included on the Balance Sheet and no adjustments have been made to the accounts as a result.</p> <p>During our review and testing of the Authority’s assessment of its accounting treatment for voluntary aided/voluntary controlled schools non-current assets, we identified that:</p> <p><input type="checkbox"/> For one school, no title documents could be located to confirm the legal owners of the assets and assess the legal rights over the asset; and</p> <p><input type="checkbox"/> For 4 voluntary aided/voluntary controlled schools, title deeds confirmed that the Authority, and not the governing body, is legal owner of the assets.</p> <p>We have reviewed the judgements made by the Authority within its assessment and challenged the assumptions made on these 5 schools, which have a net book value as at 31 March 2015 of £9.5m.</p> <p>It is the Authority’s view that legal ownership should reside with, and is in the process of transferring to, the governing bodies of the schools, who have substantive control over these assets. Therefore, the Authority does not have control over the assets and has not included these assets in the balance sheet.</p> <p>We have reviewed supporting evidence, including relevant legislation, provided by the Authority’s legal team and requested full disclosure of this matter within the Statement of Accounts 2014/15. We are satisfied that this disclosure has been made within note 43 “Critical Judgement in Applying Accounting Policies”.</p> <p>Furthermore, we require representation that the Authority considers its judgements in</p>	<p>43 “Critical Judgement in Applying Accounting Policies”.</p> <p>Legal are engaging with the Diocese to resolve this so that this accounting issue does not come up again.</p>

PwC Report	Management Comment
<p>relation to voluntary aided / voluntary controlled schools is reasonable and appropriate to give a true and fair view for the Authority's particular circumstances.</p> <p>Through of review of the evidence and in consultation with our accounting technical team we have concluded that the judgements made are acceptable.</p>	
<p>4 Estimation of the pension liability</p> <p>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. The Authority's net pension liability at 31 March 2015 was £279 million (2014 - £224.3 million). This increase in liabilities was mainly due to actuarial losses incurred of £75.3m, (the majority of which resulted from changes in financial assumptions made by the actuary) which was offset by the return on plan assets during the year of £23.7m.</p> <p>We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.</p> <p>We audited the data supplied to the actuary on which to base their calculations and we have placed reliance on the work undertaken by the auditors of the Cambridgeshire County Council Pension Fund in relation to the pension assets within the scheme. We have identified no significant matters from our work in this area.</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 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>As part of the audit process PwC obtain evidence from the actuary to review the basis of the actuary calculations.</p>

4.6 The following table provides further detail on the Internal Control Deficiencies raised in the PwC report, and associated comments from the Council:

PwC Report recommendation	Management Comment
<p>1. Lack of reconciliation of Gross Internal Area (GIA) documentation</p> <p>We recommend that the Authority liaise with WHE to improve the quality of GIA information stored on its fixed asset system in relation to its properties. This information should be fully reconciled and up-to-date.</p> <p>In addition, the Authority should understand the reasons for and consider the appropriateness of any large differences in the GIA recorded on the valuation certificate and the information held by the Authority.</p>	<p>Strategic Property will review and update working practices to implement this recommendation. The Asset Register year end checklist will be updated to include review of any large differences in the GIA recorded on the valuation certificate and the information held by the Authority.</p>
<p>2. Access to datafiles and super user access to applications</p> <p>Access to data files should be restricted to</p>	<p>This recommendation will require review when we move to the new finance system (Agresso) with its inherently different Controls.</p>

PwC Report recommendation	Management Comment
<p>non-operational personnel ie segregation of duties should be maintained between data base access and application access.</p>	<p>The Financial System Services team currently have the ability to carry out system wide set up changes to the look, feel and configuration of the finance system including the tasks listed below: -</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> User access</li> <li><input type="checkbox"/> User access levels and limitations</li> <li><input type="checkbox"/> Approval hierarchies</li> <li><input type="checkbox"/> Transactional processing formats and fields</li> <li><input type="checkbox"/> System security and controls</li> <li><input type="checkbox"/> System tolerances</li> <li><input type="checkbox"/> Configuration changes</li> </ul> <p>This access is restricted to a system administration and super-user level of access so that control can be provided over these changes. Any changes are only made when the required audit trail and necessary approval is received.</p>

### Management Representation Letter

- 4.7 The Corporate Director: 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.

### Statement of Accounts 2014/15

- 4.8 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.
- 4.9 The draft Statement of Accounts was considered by Audit Committee on 29 June 2015 and has subsequently been the subject of external audit by PwC.
- 4.10 Following the external audit non-material amendments have been made to the draft Statement of Accounts (presented to Committee in June) the most significant of these related to the disposal of assets of schools converting to Academy status.
- 4.11 The updated Statement of Accounts for 2014/15 is attached at Appendix 3 for formal approval by the Audit Committee.
- 4.12 PwC are still reviewing the Statement of Accounts, if there are any updates to the version distributed with the agenda, then the revised Statement of Accounts and a schedule of updates will be tabled at the meeting.

## 5. CONSULTATION

- 5.1 Between 17<sup>th</sup> July 2015 and 14<sup>th</sup> August 2015, the Council's accounts have been subject to a statutory period of public inspection, where any person may inspect and take copies of the accounts and certain related documents. From the 24<sup>th</sup> August 2015, Peterborough City Council electors have been able to ask the external auditor questions on the accounts, and from this time, until the conclusion of the audit process are able to object to the accounts. At the time of writing this report, none of these rights have been exercised.

5.2 A clearance meeting was held 27 August 2015 where PwC outlined their key findings to the Corporate Director: Resources, as part of his role as the Council's S151 Officer. The PwC report was discussed with the Council's finance team during the period 7 to 11 September 2015.

## **6. ANTICIPATED OUTCOMES**

6.1 To receive and note the "Report to those charged with governance (ISA260) 2014/15 Audit" from PwC on behalf of the Council

6.2 To receive and approve the audited Statement of Accounts

## **7. REASONS FOR RECOMMENDATIONS**

7.1 Paragraph 2.2.18 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."

7.2 It is a statutory requirement under the Accounts and Audit (England) Regulations 2011.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in compliance with the Accounts and Audit (England) Regulations 2011. The only alternative option would be non-compliance with statute which is rejected.

## **9. IMPLICATIONS**

There are no legal or financial implications of this report.

## **10. BACKGROUND DOCUMENTS**

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

Council Constitution

## **11. APPENDICES**

- Appendix 1 – ISA260
- Appendix 2 – Management representation letter
- Appendix 3 – Statement of Accounts 2014/15



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# *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 2015 (*ISA (UK&I) 260*)

17

Government and Public Sector

September 2015

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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 Officer. 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.

*An audit of the Statement of Accounts 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. This report details the findings from our work and makes recommendations for improvement, where appropriate.*

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## **Executive summary**

### **Background**

This report tells you about the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate. We have, however, reconsidered our risk assessment in relation to the valuation of property, plant and equipment. This is explained on pages 4 and 7.

### **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 29 September 2015.

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

- Receipt of 4 bank confirmations;
- Resolution of 2 minor queries on pay scales for 2 schools employees;
- Receipt of documentation for 2 individuals relating to Council Tax discounts;
- Receipt of a response from legal in relation to any legal matters and final consideration of schools accounting;
- Review of the Cash Flow Statement;
- Review of the detailed disclosures in the revised Statement of Accounts;
- Approval of the Statement of Accounts and letters of representation; and
- Review and completion procedures including subsequent events review.

This list represents those areas of the audit requiring finalisation at the time of drafting this report. We will update the Audit Committee on this list at the meeting on 21 September 2015.

We have revised our audit risk assessment from that included within our Audit Plan 2014/15. Further details of this and the reason for change are detailed on page 4.

There are audit and accounting matters as well as key judgments which we have drawn to the Audit Committee's attention – further details are set out on pages 10-14.

This is the final year of the Audit Commission framework contract and therefore our final year as your external auditor. On 1 April 2015, the Audit Commission ceased to exist. A novation of the original contract was signed, whereby these responsibilities have transferred to the Public Sector Audit Appointments Limited ("PSAA"). Therefore, all references to Audit Commission and PSAA in this report refer to the same body.

We remain committed to providing you with a high quality service and will work with your incoming auditors to ensure a smooth transition.

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

We look forward to discussing our report with you on 21 September 2015. Attending the meeting from PwC will be Julian Rickett and Karen McIntosh.

### *Acknowledgements*

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

We thank the management and staff of the Authority for their co-operation and assistance during the course of our term of appointment and wish you well for the future.

# Audit approach

Our audit approach was set in our audit plan which we presented to the Audit Committee in March 2015. Since we communicated our audit plan, we have amended our audit approach to reflect the changes described in the table below:

Risk	Risk Level	Response to new risk / change in risk level	Reason for change
<p><b>Valuation of Property, Plant and Equipment ('PPE')</b></p> <p>The scale and complexity of the Authority's estate presents a number of accounting challenges. The Authority's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&amp;I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p>In our previous audits, we have identified accounting issues in this area including :</p> <ul style="list-style-type: none"> <li>- The assumptions and methodologies used by the Authority's external valuation expert;</li> <li>- The accounting for the construction of new Academy schools; and</li> <li>- The timing of movement of Assets under Construction to Property and therefore the depreciation start date.</li> </ul>	<p>Original – Elevated</p> <p>Revised – Significant</p>	<p>The response to the risk remains the same as detailed in our audit plan.</p> <p>However, as a result of the change from elevated to significant risk, the extent of work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level.</p> <p>Our full response to the risk is detailed on page 7.</p>	<p>In line with a common approach we have taken across all our local authority audits, we have reconsidered our rating of this risk and revised our assessment of the risk of material misstatement to significant. This reflects the relative size of the balance in the Balance Sheet, together with the valuation judgements and findings in prior years.</p>

We have summarised on the following pages the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
<p><b>Risk of management override of controls</b></p> <p>ISA (UK&amp;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 and is not therefore specific only to Peterborough City Council. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>▶ Significant</p>	<p>As part of our assessment of your control environment we considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We performed procedures to:</p> <ul style="list-style-type: none"> <li>• Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards;</li> <li>• Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus;</li> <li>• Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example, pension scheme assumptions, valuation and impairment assumptions);</li> <li>• Evaluate the business rationale underlying significant transactions outside the normal course of business; and</li> <li>• Incorporate unpredictable procedures targeted on fraud risks.</li> </ul>	<p>We did not identify any issues to report to you as a result of our work.</p> <p>Key areas of judgement considered during our work are discussed in the section “Accounting matters” which commences on page 10.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.</p>	<p>▶ Significant</p>	<p>We obtained an understanding of the key revenue and expenditure controls.</p> <p>We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We also performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk including:</p> <ul style="list-style-type: none"> <li>• For income, we considered that sales, fees and charges were areas of significant risk;</li> <li>• For expenditure, we considered that non-payroll service expenditure was a significant risk;</li> <li>• We conducted tests of detail over accounting estimates for income and expenditure (for example, provisions); and</li> <li>• We performed cut-off testing on expenditure at year end to ensure that expenditure had been recorded in the correct financial year; and</li> </ul> <p>We conducted tests of detail to obtain a high level of assurance over the significant risks described above.</p>	<p>We are pleased to report that our testing has not identified any issues to bring to your attention.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p><b>Valuation of Property, Plant and Equipment ('PPE')</b></p> <p>As noted on page 4, the scale and complexity of the Authority's estate presents a number of accounting challenges. The Authority's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&amp;I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p>	<p>▶ Significant</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Challenged how management has satisfied itself that the key assumptions driving the revaluation of Property, Plant and Equipment at 31 March 2015 are appropriate for the circumstances of the Authority;</li> <li>• Used our own valuation experts to review the work of the valuation experts engaged by the Authority;</li> <li>• Tested the source data used by the valuation experts engaged by the Authority;</li> <li>• Challenged how management has satisfied itself that the element of PPE portfolio not subject to a formal revaluation at as 31 March 2015 is materially correct.</li> <li>• Considered the accounting treatment, with reference to any new schools construction, and their classification within the fixed assets note.</li> </ul>	<p>Key areas of judgement considered during our work are discussed in the section "Accounting matters" which commences on page 10.</p>



Risk	Categorisation	Audit approach	Results of work performed
<p><b>Risk of inappropriate accounting for schools' non current assets</b></p> <p>The Code of Practice on Local Authority Accounting 2014-15 ('the Code') has clarified the approach local authorities should adopt in relation to schools balances.</p> <p>Therefore, the Authority needs to carry out an exercise to ensure that it applies the appropriate guidance in relation its schools.</p>	Elevated	<p>We have audited the authority's approach to addressing the appropriate guidance – specifically that included within in CiPFA's Local Authority Accounting Panel (LAAP) bulletin 101 that provides guidance on the accounting treatment of non-current assets used by schools.</p> <p>We have checked that the Authority has obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet.</p>	<p>Key areas of judgement considered during our work are discussed in the section "Accounting matters" which commences on page 10.</p>

### *Intelligent scoping*

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy.

Our overall materiality varied upon receipt of the draft 2014/15 financial statements as our planned overall materiality was based upon the 2013/14 financial statements. We confirm that the change has not had a significant effect on our testing strategy.

Our original and revised materiality levels are as follows:

	<b>Original Level</b>	<b>Revised Level</b>
	<b>£</b>	<b>£</b>
Overall materiality (2% of gross expenditure)	10,243,000	9,649,000
Clearly trivial reporting de minimis	500,000	482,000

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2015. This has been varied downwards to take account of the reduction in the overall materiality level.

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# *Significant audit and accounting matters*

## *Accounts*

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

- Receipt of 4 bank confirmations;
- Resolution of 2 minor queries on pay scales for 2 schools employees
- Receipt of documentation for 2 individuals relating to Council Tax discounts;
- Receipt of a response from legal in relation to any legal matters and final consideration of schools accounting;
- Review of the Cash Flow Statement;
- Review of the detailed disclosures in the revised Statement of Accounts;
- Approval of the Statement of Accounts and letters of representation; and
- Review and completion procedures including subsequent events review.

This list represents those areas of the audit requiring finalisation at the time of drafting this report. We will update the Audit Committee on this list at the meeting on 21 September 2015.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and the approval of these, 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. This work remains ongoing at the time of writing. Subject to the satisfactory conclusion of this work, we anticipate issuing an opinion on 29 September 2015

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stating in our view they are consistent with the Statement of Accounts.

We will provide a verbal update at the meeting on 21 September 2015.

## *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.

We have identified four accounting issues during the course of our work that we wish to draw to your attention:

- Valuation of the Authority's Property, Plant and Equipment (PPE);
- Lack of reconciliation of gross internal area (GIA) documentation;
- Accounting for schools non-current assets; and
- Pension liability on the Authority balance sheet.

## *Valuation of the Authority's Property, Plant and Equipment (PPE)*

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of PPE. These estimates and associated assumptions for the carrying amounts of these balances are based upon a revaluation exercise performed at the beginning of the year. An impairment review is undertaken at the year-end, which assesses whether there has been any material movements on the assets during the year.

The Authority engaged its property valuer, Wilks Head & Eve LLP (“WHE”), in 2014/15 to perform a valuation exercise for 20% of the Authority’s PPE and to assess the unvalued 80% of the Authority’s PPE and whether a material movement had occurred. WHE also valued the Authority’s Investment Properties.

The draft accounts include total PP&E with a net book value of £578.4m, largely made up of land and buildings (net book value of £330.8m) and infrastructure assets (net book value of £133.6m). As a result of the valuation exercise, there has been a net decrease in value of £1.6m for the Authority’s PPE.

Our valuation experts have reviewed the assumptions and methodologies used by the Authority’s external valuation expert. We draw your attention to one matter in relation to these assumptions, which is one we have raised in previous ISA 260 reports - 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.

As in previous years, this matter regarding the assumptions has 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.

We have compared the land valuations provided by WHE against a range of expected market values for the local area provided by our PwC valuers. We are satisfied that the land valuations are within this range.

Management has also carried out an impairment review during the year, for assets that were not re-valued in 2014/15 and are comfortable that the values of these land and buildings assets are not materially misstated in the financial statements.

Through consultation with PwC’s valuation experts, we have concluded that the financial information derived from the valuation performed, is within an appropriate range and would not result in a material misstatement of the Authority’s financial statements. However, given valuations are performed on a cyclical basis, the Authority will need to continue to consider the market conditions annually and the necessity to revalue more than 20% of the portfolio of PPE if significant movements in the market arise.

In relation to infrastructure assets, we have suggested enhancements to the current disclosures and accounting policy description.

### *Lack of reconciliation of Gross Internal Area (GIA) documentation*

The Authority’s property valuer, Wilks Head & Eve LLP (“WHE”), prepare their valuation of certain properties based on the gross internal area (GIA) of that property. This information is provided to WHE by the Authority and therefore any errors in this could impact the valuation and ultimately the amounts included in the Balance Sheet.

In testing the GIAs on the valuation certificates back to supporting documentation (e.g. information on the Authority’s asset register, floor plans and lease documentation), we noted large differences which could not be easily explained by officers, in for 4 out of 6 properties tested.

Investigation into these differences has identified the differences are due to:

- Floor plans being out of date;
- The Authority owning only part of the asset; and
- Finance lease agreements being in place for part of the asset.

In relation to outdated floor plans, WHE identified this during their valuation work, re-measured the sites and used the revised measurement within their valuation. In relation to the remaining bullet points, we noted that the Council's fixed asset system only identified the size of the whole asset and did not take into account floor sizes of partly owned assets or leased assets. These matters had however, been taken into account, by WHE in their valuations.

Where WHE have updated the GIA based on a re-measurement of the site, this information has not been updated in the Authority's asset register.

Our work in this area has concluded that the amounts on the valuation certificates are appropriate and therefore no adjustments have been made to the accounts as a result of this matter.

However, we have included this matter within our Internal Controls section of this report on page 21, as we believe it represents a control weakness within the accounting for capital as GIA information should be current and accurate.

### *Accounting for schools' non-current assets*

In accordance with the Code of Practice on Local Authority Accounting 2014-15 ('the Code') and LAAP Bulletin 101 CiPFA's Local Authority Accounting Panel (LAAP) bulletin 101, the Authority has reviewed its treatment on accounting for schools' non-current assets.

In summary terms, the guidance requires schools' non-current assets to be included on the Authority's Balance Sheet if they are controlled by the Authority as a result of past events and from which future economic benefits or service potential are expected to flow to the Authority. Control over the asset must be based on rights that are either legal or substantive.

The Authority's assessment of the accounting treatment concluded that for:

Peterborough City Council

- Foundation schools – control is with the school. However, as these schools are local authority maintained and therefore consolidated into the Authority's financial statements, these school's non-current assets have also been brought on to the Authority's Balance Sheet.

The Authority has undertaken a prior period adjustment to recognise these assets. We have reviewed the prior period adjustments made and are pleased to report that we have no matters which we wish to bring to the attention of the Committee.

- Voluntary aided / voluntary controlled schools – control is with the governing body and not the Authority. Therefore these assets have not been included on the Balance Sheet and no adjustments have been made to the accounts as a result.

During our review and testing of the Authority's assessment of its accounting treatment for voluntary aided/voluntary controlled schools non-current assets, we identified that:

- For one school, no title documents could be located to confirm the legal owners of the assets and assess the legal rights over the asset; and
- For 4 voluntary aided/voluntary controlled schools, title deeds confirmed that the Authority, and not the governing body, is legal owner of the assets.

We have reviewed the judgements made by the Authority within its assessment and challenged the assumptions made on these 5 schools, which have a net book value as at 31 March 2015 of £9.5m.

It is the Authority's view that legal ownership should reside with, and is in the process of transferring to, the governing bodies of the schools, who have substantive control over these assets. Therefore, the Authority does not have control

over the assets and has not included these assets in the balance sheet.

We have reviewed supporting evidence, including relevant legislation, provided by the Authority's legal team and requested full disclosure of this matter within the Statement of Accounts 2014/15. We are satisfied that this disclosure has been made within note 43 "Critical Judgement in Applying Accounting Policies".

Furthermore, we require representation that the Authority considers its judgements in relation to voluntary aided / voluntary controlled schools is reasonable and appropriate to give a true and fair view for the Authority's particular circumstances.

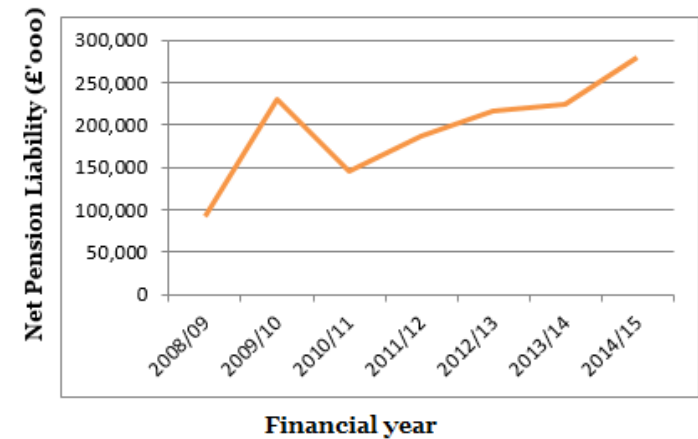
Through of review of the evidence and in consultation with our accounting technical team we have concluded that the judgements made are acceptable.

### *Pensions 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. The Authority's net pension liability at 31 March 2015 was £279 million (2014 - £224.3 million). This increase in liabilities was mainly due to actuarial losses incurred of £75.3m, (the majority of which resulted from changes in financial assumptions made by the actuary) which was offset by the return on plan assets during the year of £23.7m.

The chart below shows the significant movement in your net pension liability over the last few years.

*Authority net pension liability between 2008/09 and 2014/15*



We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We audited the data supplied to the actuary on which to base their calculations and we have placed reliance on the work undertaken by the auditors of the Cambridgeshire County Council Pension Fund in relation to the pension assets within the scheme. We have identified no significant matters from our work in this area.

### *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 – we are pleased to note there are no uncorrected misstatements.

We also bring to your attention the misstatements which have been corrected by management but which we consider

you should be aware of in fulfilling your governance responsibilities. We are pleased to note there have been no significant corrected misstatements above materiality in 2014/15.

### *Significant accounting principles and policies*

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask the Audit Committee 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.

We have reviewed the appropriateness and application of accounting policies in the Statement of Accounts, with no issues noted.

### *Judgments and accounting estimates*

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

**Valuation of Property, Plant and Equipment** – Our comments on the judgements and estimates made in relation to this area are included on pages 10 and 11. We have agreed the assumptions and estimates made within these valuations to be within a reasonable range.

**Valuation of Investment Properties** - During the year, the Authority revalued its investment property portfolio. The valuation was performed by WHE LLP. The valuation methodology includes a number of key judgements and estimates, including those around future income streams and

property yields. We engaged our internal valuations experts to consider these assumptions and estimates used in the valuations and have agreed those used to be within a reasonable range.

**Property, Plant and Equipment – Depreciation** - The Authority charges depreciation based on an estimate of the Useful Economic Lives of assets for the majority of its Property, Plant and Equipment (PPE). The total depreciation charge in 2014/15 was £21.8 million (2013/14 £22.6 million). We have considered the useful economic lives assigned to the Authority's PPE portfolio against CIPFA and valuation guidance and have agreed those used to be within a reasonable range.

**Accounting for Schools non-current assets** – Our comments on the judgements and estimates made in relation to this area are included on pages 11. We have agreed the judgements made are reasonable.

**Valuation of Pensions Liability** - Our comments on the judgements and estimates made in relation to this area are included on pages 11 and 12. We have considered these assumptions against actuarial guidance and have agreed those used to be within a reasonable range.

**Continuing operations** – There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. We have considered this as part of our value for money work.

### *Management representations*

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

As noted above on page 12, we require representation that the Authority is satisfied with the appropriateness of the accounting treatment it has adopted in relation to its voluntary aided / voluntary controlled schools.

### *Financial standing*

We have not identified any material uncertainties related to events and conditions that may cast significant doubt on the entity's financial standing.

### *Related parties*

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We performed detailed testing over related parties including a public record search of Members and Senior Officers Members (including those leaving office during the year) to identify any additional relationships by comparing related entities to supplier and customer listings.

We did not identify any matters during the course of our work.

### *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.

#### *Relationships between PwC and the Authority*

We are not aware of any relationships between PwC and the Authority that in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

#### *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, or holding discussions in respect of employment, by 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, PwC has also undertaken other work for the Authority:

<b>Support provided by PwC</b>	<b>Value (£)</b>	<b>Threats to independence and safeguards in place</b>
<p><b>Role of the engagement leader – Julian Rickett.</b></p> <p>This is Julian's 8<sup>th</sup> year as Engagement Leader to Peterborough City Council, one year longer than the 7 year maximum period set by the Audit Commission.</p> <p>This one year extension has been sought by us and approved by the Audit Commission following consultation with officers and the Audit Committee.</p>	n/a	<p><b>Self Review threat:</b> there is no self-review threat as we are providing assurance on management completed accounts.</p> <p><b>Self Interest Threat:</b> the fees associated with the audit of Peterborough City Council are not significant in the context of the engagement leader's overall audit portfolio.</p> <p><b>Management threat:</b> this does not arise as the Engagement Leader and PwC are not taking decisions which are the responsibility of management.</p> <p><b>Advocacy threat:</b> this does not arise as the work will be limited to the testing of information provided by the Authority and does not result in advocacy. The Engagement Leader and PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.</p> <p><b>Familiarity Threat:</b> During his tenure as Engagement Leader, there have been changes in the Members of the Audit Committee and the Chair. We therefore do not consider there to be a familiarity threat.</p> <p>To mitigate any perceived threat, we have assigned an independent Quality Review Partner to this engagement to review the audit work undertaken including reviewing and challenging those areas identified in this plan as significant and elevated risks.</p> <p><b>Intimidation Threat:</b> We have concluded that this work does not pose an intimidation threat.</p>
<p><b>Certification of claims and returns</b></p> <p>Our procedures will consist of certifying the 2014/15 Housing Benefit Subsidy Claim in accordance with the certified instructions issued by the Audit</p>	18,740	<p><b>Self-Review Threat:</b> The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors.</p> <p>There is no self-review threat as we are certifying management completed grant returns and claims.</p> <p><b>Self-Interest Threat:</b> As a firm, we have no financial or other interest in the results of the Authority.</p> <p>We have concluded that this work does not pose a self-interest threat.</p>

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Our procedures will consist of certifying the 2014/15 Housing Benefit Subsidy Claim in accordance with the certified instructions issued by the Audit Commission.		<p><b>Management Threat:</b> PwC is not required to take any decisions on behalf of management as part of this work.</p> <p><b>Advocacy Threat:</b> We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p><b>Familiarity Threat:</b> Work complements our external audit appointment and does not present a familiarity threat.</p> <p><b>Intimidation Threat:</b> We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.</p>
<b>Teachers' Pension Review</b>	2013/14: £9,840	<p><b>Self Interest Threat:</b> Fees are not material in relation to the audit fees and PwC's total income.</p> <p><b>Self-Review Threat:</b> This does not arise as the work we undertake provides reasonable assurance over the accuracy of the teachers' pension return for and will not be relied upon by the PwC audit team as part of the audit of the main accounts.</p>
Work outside the scope of the Audit Commission Code of Audit Practice – procedures on the 2013/14 and 2014/15 Teachers' Pensions return.	2014/15: TBC	<p><b>Management Threat:</b> PwC is not required to take any decisions on behalf of management as part of this work.</p> <p><b>Advocacy Threat:</b> This does not arise as the work will be limited to the testing of information provided by the client and does not result in advocacy. PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.</p> <p><b>Familiarity Threat:</b> This does not arise as a separate team from the audit team is being used to carry out this work.</p> <p><b>Intimidation Threat:</b> We have concluded that this work does not pose an intimidation threat.</p>

### *Fees*

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on pages 21 and 22. 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 Public Sector Audit Appointments Limited'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. Public Sector Audit Appointments Limited'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, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

As noted above, on page 15, whilst 2014/15 is Julian Rickett's 8<sup>th</sup> year as engagement leader we have implemented appropriate safeguards and obtained permission from the Audit Commission for Julian to undertake this role.

### *Gifts and hospitality*

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority, 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 would 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".

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.

Public Sector Audit Appointments Limited 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.

In our Audit Plan 2014/15, we identified the following heightened risk relating to the Authority's financial resilience. We have summarised in the following table the audit approach we took to address this risk and the outcome of our work.

<b>Risk</b>	<b>Audit approach</b>	<b>Results of work performed</b>
<p><b>Savings Plans – financial resilience criterion</b></p> <p>The Authority, in common with many local authorities, is experiencing increased pressures on many of its budgets. Current and forecast reductions in funding and changing demand for services require the Authority to deliver significant savings in the current and future years.</p> <p>In the five years to 2015/16, the Authority has seen its government funding cut by £44m, which equates to nearly 39% of its government grant. For 2015/16, the cut in grant is £12.5m and additional pressures arise from the need to provide statutory services and implement legal changes totalling £12.5m. The revised budget gap for 2015/16 prior to any savings plans is £25m, increasing to £44.6m in 2019/20.</p> <p>There is a risk that saving plans may not be robust and the Authority is unable to demonstrate that it has achieved value for money in its use of resources.</p>	<p>We have reviewed the Authority's medium term financial strategy and:</p> <ul style="list-style-type: none"> <li>• Considered how the Authority manages the strategy,</li> <li>• Investigated the reasons behind any significant variations from the plan;</li> <li>• Considered the Authority's record in delivering savings;</li> <li>• Considered the governance structure in place to deliver the targets (including extent of Member involvement);</li> <li>• Considered the level and extent of accountability;</li> <li>• Reviewed project management arrangements;</li> <li>• Reviewed arrangements relating to monitoring and reporting; and</li> <li>• Considered progress on delivering the plan, including considering the assumptions and progress made in relation to individual savings plans.</li> </ul>	<p>Our work in this area is on-going. To date, we have not identified any matters which we wish to bring to your attention.</p> <p>We provide further comment below.</p>

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

- Discussion with officers in relation to spend and savings plans for Adult Social Care and Children's services;
- Review of recent plans to be submitted to Cabinet working group in September 2015; and
- Undertaking our internal quality review procedures.

Subject to the satisfactory completion of these procedures, we anticipate issuing an unqualified value for money conclusion.

We have obtained and reviewed the Medium Term Financial Strategy, including the assumptions utilised in identifying any funding gaps arising.

The forecast deficit identified and recurring funding savings required each year of the MTFS as presented to Cabinet on 4 March 2015 is as follows:

<b>Year</b>	<b>Budget deficit (£m)</b>	<b>Recurrent funding savings required (£m)</b>
<b>2015/16</b>	nil	-
<b>2016/17</b>	10.1	10.1
<b>2017/18</b>	14.1	3
<b>2018/19</b>	17.5	3.4
<b>2019/20</b>	20.5	3

The total recurrent savings required over the first five years of the MTFS are therefore £19.5m.

Since March 2015, other financial pressures have emerged – largely as a result of reductions in grant funding. As a result the forecast deficit for 2016/17 has increased to £18.3m. Officers are working with Cabinet and the cross party Budget Working Group to develop proposals to deliver a balanced budget.

Since March 2015, other financial pressures have emerged – largely as a result of further estimated reductions in grant funding for 2016/17. The actual funding reductions will be announced as part of the Government's Spending Review on the 25th November 2015. As a result of this, and additional in-year pressures, the forecast deficit for 2016/17 has increased to at least £18.3m. Officers are working with Cabinet and the cross party Budget Working Group to develop savings proposals to deliver a balanced budget. The first of the two phase approval process for these savings proposals is well underway, with a number of savings options identified. These are expected to be approved by Council on the 17th December 2015. The second phase, providing a balanced budget for 2016/17, is expected to be approved by Council on the 9th March 2016. We have

considered and discussed the emerging savings options with officers, in order to understand the current plans to address the funding gap. We note that the plans are at various stages of development.

We have considered the Authority's historic record in delivering savings; the monitoring and reporting arrangements in the place and the governance structure in place. As in the prior year, we are satisfied that appropriate arrangements and processes are in place to identify savings to address the funding deficit for 2016/17.

In undertaking this work, we have not identified any matters to date, in relation to the arrangements in place at the Authority to secure financial resilience that would cause us to modify our Use of Resources conclusion. Clearly, however, the ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Authority.

# 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.

As detailed within the accounting matters section of this report, we have identified a control deficiency within the accounting for property, plant and equipment which we believe should be brought to your attention. This is set out in the table below. We have also identified a deficiency in relation to IT general controls which we was first raised for the attention of the Audit Committee in 2011/12. The Audit Committee accepted the management response at that point in time, however as the issue has not been resolved we are re-raising for the Committee's consideration in the table below.

We will report other internal control issues separately to management and agree an action plan where relevant.

## *Summary of internal control deficiencies for the Audit Committee's attention*

<b>Deficiency</b>	<b>Recommendation</b>	<b>Management's response</b>
<p><b>Lack of reconciliation of Gross Internal Area (GIA) documentation</b></p> <p>The GIA on 4 out of 6 valuation certificates chosen for testing did not agree with the records held on the Authority's fixed asset register. The amounts recorded on the fixed asset register had been updated by WHE in valuing the asset as a result of:</p> <ul style="list-style-type: none"> <li>Floor plans being out of date;</li> </ul>	<p>We recommend that the Authority liaise with WHE to improve the quality of GIA information stored on its fixed asset system in relation to its properties. This information should be fully reconciled and up-to-date.</p> <p>In addition, the Authority should understand the reasons for and consider the appropriateness of any large differences in the GIA recorded on the valuation</p>	<p>Agreed.</p> <p>Action: Strategic Property will review and update working practices to implement this recommendation. The Asset Register year end checklist will be updated to include review of any large differences in the GIA recorded on the valuation certificate and the information held by the Authority.</p> <p>Owner: Jon Lewis / Strategic Property</p>

<ul style="list-style-type: none"> <li>• The Authority owning only part of the asset; and</li> <li>• Finance lease agreements being in place for part of the asset.</li> </ul> <p>Where WHE have updated the GIA as part of the valuation, this information has not been updated in the Authority's asset register.</p> <p>There is a risk that any errors in the GIAs used for the valuation may not be picked up by the Authority and could result in incorrect valuations leading to material misstatements in Property, Plant and Equipment recorded in the Balance Sheet.</p>	<p>certificate and the information held by the Authority.</p>	<p>Timescales: in time be to be effective on the Statement of Accounts 15/16</p>
<p><b>Access to datafiles and super user access to applications</b></p> <p>Three SERCO employees have access to datafiles and super user access to applications. There is a risk of unauthorised access to high level functionality within the system. Application controls may be overridden and changes made to tables without authorisation/audit trail.</p>	<p>Access to data files should be restricted to non-operational personnel i.e. segregation of duties should be maintained between data base access and application access.</p>	<p>This recommendation will require review when we move to the new finance system (Agresso) with its inherently different controls The FSS team currently have the ability to carry out system wide set up changes to the look, feel and configuration of the finance system including the tasks listed below:</p> <ul style="list-style-type: none"> <li>• User access</li> <li>• User access levels and limitations</li> <li>• Approval hierarchies</li> <li>• Transactional processing formats and fields</li> <li>• System security and controls</li> <li>• System tolerances</li> <li>• Configuration changes</li> </ul> <p>This access is restricted to a system administration and superuser level of access so that control can be provided over these changes. Any changes are only made when the required audit trail and necessary approval is received.</p>



# Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

## Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

## Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

## Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

## Your views on fraud

In our audit plan presented to the Audit Committee in March 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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.

### Conditions under which fraud may occur

**Management or other employees have an incentive or are under pressure**

Incentive / pressure



<b>Opportunity</b>	<b>Rationalisation/attitude</b>
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls	Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

# Fees update

## Fees update for 2014/15

We reported our fee proposals in our Audit Plan 2014/15. In addition, we reported that we anticipated that certain of the risks (as detailed on pages 5-8 and 19) would lead to additional fees over and above the indicative fee level.

We have undertaken additional work as a result of the risks included within our audit plan and therefore have varied our audit fees from those included within our Audit Plan. In addition, we have also undertaken additional work as a result of the change in our audit risk assessment as detailed on page 4.

Our fees charged are therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)	2013/14 outturn (£)
<b>Audit work performed under the Code of Audit Practice</b>	144,710	144,710	143,640
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
<b>Additional fees as a result of audit risk assessment (see note 1)</b>	15,723	-	23,506
<b>Grant Certification (see note 2)</b>	TBC	18,740	18,159
<b>Other reporting responsibilities</b>	-	-	11,970
<b>TOTAL WORK PERFORMED UNDER THE CODE OF PRACTICE</b>	<b>TBC</b>	<b>163,450</b>	<b>197,275</b>
<b>Non-audit work (outside of the scope of the Code of Audit Practice)</b>	9,840	9,840	-
- Teachers Pensions Return 2013/14 (see note 3)			
<b>TOTAL WORK</b>	<b>TBC</b>	<b>173,290</b>	<b>197,275</b>

## Notes

1. Additional work has been undertaken in the following areas in order to address the significant risks identified:

Risk	Fee (£)	Notes
Valuation of Property, Plant and Equipment	4,014	Since presenting our Audit plan to the Audit Committee in March 2015, we have reassessed the risk relating to the valuation of property as significant (as detailed on page 4 of this report). The extent of audit work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level. Therefore, we have varied our proposed fee to by £4,014 to meet the costs of this additional work.
Accounting for Schools	6,669	We have undertaken additional work, over and above the work outlined in the indicative fee proposed, to address this risk. Our work has included:  Assessing and challenging the Authority's assessment in relation to the treatment of schools non-current assets; and Reviewing and testing the prior period adjustment made to include schools' non-current assets on the Balance Sheet.
Value for money	5,040	We have undertaken additional work to address this risk, over and above that outlined in the indicative fee proposed. This was necessary as material budget 'gaps' were identified in the Authority's medium term financial strategy.
<b>TOTAL WORK</b>	<b>15,723</b>	

We have discussed this additional fee with the Corporate Director: Resources and are in the process of agreeing this additional fee with the Public Sector Audit Appointments (PSAA) Ltd.

2. Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in February 2016 within the Certification Report to Management in relation to 2014/15 grants.
3. Non audit work includes work of £9,840 in relation to the 2013/14 Teacher's Pensions Agency certification that the Authority engaged us to perform. This work was undertaken outside of the remit of the Audit Commission Code of Audit

Practice and is therefore reported as non-audit work. Although the work was on the 2013/14 return, the work was undertaken within 2014/15 and therefore falls to be a fee within the 2014/15 year.

We are in the process of agreeing with management, the arrangements and fee for the work to be undertaken on the 2014/15 Teachers Pensions Agency claim. This work, which again will be undertaken outside of the remit of the Audit Commission Code of Audit Practice, is due to be performed in October and November 2015. Therefore, it will form part of the fee for the 2015/16 year.

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# *Appendices*



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# *Appendix 1: Letter of representation*

[Entity letterhead]

PricewaterhouseCoopers LLP  
Abacus House  
Castle Park  
Cambridge  
CB3 0AN

Dear Sirs

## **Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2015**

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of Peterborough City Council (the Authority) give a true and fair view of the affairs of the Authority as at 31 March 2015 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 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Corporate Director: Resources 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 2014/15 supported by the Service Reporting Code of Practice 2014/15; 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.

Peterborough City Council



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 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

### ***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 the 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.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

### ***Related party transactions***

I confirm that the attached Appendix 1 to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2014/15.

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***

I confirm that we have made you aware of all employee benefit schemes in which employees of the Authority participate.

### ***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 2014/15.

### ***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 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 for 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.

### ***Pension fund registered status***

I confirm that the Cambridgeshire County Council Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

### ***Pension fund assets and liabilities***

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

### ***Retirement benefits***

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 and/or disclosed.

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

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

<b>Description</b>	<b>Local Government Pension Scheme</b>
Rate of Inflation	2.4%
Salary Increase Rate	4.3%
Pension Increase Rate	2.4%
Discount Rate	3.2%

<b>Local Government Pension Scheme - Average future life expectancies at age 65</b>		
	<b>Men</b>	<b>Women</b>
Current Pensioners	22.5	24.5
Future Pensioners	24.4	26.9

***Bank accounts***

I confirm that I have disclosed all bank accounts to you.

***Subsequent events***

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.

***Provisions***

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the Statement of Accounts.

### ***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 Statement of Accounts.

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 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 Statement of Accounts.

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.

### ***Using the work of experts***

I agree with the findings of Wilks, Head & Eve LLP (“WH&E”), experts in evaluating the valuation of investment property and property, plant and equipment and Hymans Robertson, experts in evaluating the net pensions liability. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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.

### ***Financial Instruments***

Where fair values have been assigned 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.

### ***Accounting for Schools Non-Current Assets***

I confirm that the Authority has determined a proper application of CIPFA's guidance, as detailed within LAAP Bulletin, on accounting for schools' non-current assets. I consider the judgements made by the Authority in assessing whether the assets are within the Authority's control are appropriate and reflect underlying supporting documentation. In relation to the voluntary aided and voluntary controlled schools non-current assets for which the Authority holds legal title, I am satisfied that the judgements made to exclude these from the Balance Sheet is appropriate based on the Authority's circumstances and legislation in place.

### ***Items specific to Local Government***

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

As minuted by the Audit Committee at its meeting on 21 September 2015.

.....

Corporate Director: Resources

For and on behalf of the Audit Committee

Date .....





## Appendix 1 - Related parties and related party transactions

Cambridgeshire Police and Crime Panel	South Bretton Community Association
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Peterborough Investment Partnership LLP	Southfields Community Association
Blue Sky Peterborough Ltd	Stanground Community Association
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Peterborough and Stamford NHS Foundation Trust	Bromco Property Rentals Limited
Peterborough Museum and Art Gallery	Cap Radio Production & Media Buying Services Ltd

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Peterborough Safeguarding Children Board	Cereste Holdings Ltd
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Inspire Peterborough Board	Green Energy Park Consulting Ltd
Nene Park Trust	Green Energy Parks Ltd
North Level Internal Drainage Board	Jumped Up Theatre Company
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Peterborough Cathedral Trust	M.J Immigration
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Thornhaugh 1 Local Liaison Committee	Peterborough Renewable Energy Ltd
Dogsthorpe Community Association	Prestige Classic Cars
East Community Association	Prestige Transport Logistics Limited
Gladstone District	Prime Properties Peterborough
Glinton Community Association	Renewable Energy Parks Ltd
Hampton Vale Community Association	Renewable Technology Consultants Ltd
Italian Community Association	Russell Street Developments
Longthorpe Community Association	Saxon Antiques
Millfield and New England Regeneration Partnership	Sheila Scott (Consultancy)
Millfield Community Association	St Josephs Day Nursery Ltd
Newborough and Borough Fen Community Association	Train 2B Limited
North Bretton Community Association	Windtech Solutions Ltd
Northborough Community Association	Thomas Deacon Academy
Pakistan Community Association	Worldwide Travel Training Ltd
Paston and Gunthorpe Community Association	Worldwide Training Partnership
	Yasmeen Maqbool Ehsaas Consultants



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 agrees 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 Public Sector Audit Appointments Limited. 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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Town Hall  
 Bridge Street  
 Peterborough  
 PE1 1HG

Dear Sirs

**Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2015**

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of Peterborough City Council (the Authority) give a true and fair view of the affairs of the Authority as at 31 March 2015 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 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Corporate Director: Resources 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 2014/15 supported by the Service Reporting Code of Practice 2014/15; 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 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

***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 the 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.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

### ***Related party transactions***

I confirm that the attached Appendix 1 to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been

disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2014/15.

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***

I confirm that we have made you aware of all employee benefit schemes in which employees of the Authority participate.

### ***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 2014/15.

### ***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 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 for 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.

### ***Pension fund registered status***

I confirm that the Cambridgeshire County Council Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

### ***Pension fund assets and liabilities***

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

**Retirement benefits**

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 and/or disclosed.

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

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

<b>Description</b>	<b>Local Government Pension Scheme</b>
Rate of Inflation	2.4%
Salary Increase Rate	4.3%
Pension Increase Rate	2.4%
Discount Rate	3.2%

<b>Local Government Pension Scheme - Average future life expectancies at age 65</b>		
	<b>Men</b>	<b>Women</b>
Current Pensioners	22.5	24.5
Future Pensioners	24.4	26.9

**Bank accounts**

I confirm that I have disclosed all bank accounts to you.

**Subsequent events**

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.

**Provisions**

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its



probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the Statement of Accounts.

### ***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 Statement of Accounts.

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 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 Statement of Accounts.

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.

### ***Using the work of experts***

I agree with the findings of Wilks, Head & Eve LLP ("WH&E"), experts in evaluating the valuation of investment property and property, plant and equipment and Hymans Robertson, experts in evaluating the net pensions liability. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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.

### ***Financial Instruments***

Where fair values have been assigned 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.

### ***Accounting for Schools Non-Current Assets***

I confirm that the Authority has determined a proper application of CIPFA's guidance, as detailed within LAAP Bulletin, on accounting for schools' non-current assets. I consider the judgements made by the Authority in assessing whether the assets are within the Authority's control are appropriate and reflect underlying supporting documentation. In relation to the voluntary aided and voluntary controlled schools non-current assets for which the Authority holds legal title, I am satisfied that the judgements made to exclude these from the Balance Sheet is appropriate based on the Authority's circumstances and legislation in place.

### ***Items specific to Local Government***

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

As minuted by the Audit Committee at its meeting on 21 September 2015.

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Corporate Director: Resources

For and on behalf of the Audit Committee

Date .....

## Appendix 1 - Related parties and related party transactions

Cambridgeshire Police and Crime Panel	South Bretton Community Association
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Northborough Community Association	Thomas Deacon Academy
Pakistan Community Association	Worldwide Travel Training Ltd
Paston and Gunthorpe Community Association	Worldwide Training Partnership
	Yasmeen Maqbool Ehsaas Consultants

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PETERBOROUGH



CITY COUNCIL

# Statement of Accounts

## 2014/15

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

Service Director Financial Services

Peterborough City Council

Town Hall

Bridge Street

Peterborough

PE1 1HG

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

Tel: 01733 384562

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

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# Peterborough City Council

## Statement of Accounts 2014/15

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# Explanatory Foreword

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## 1 The Council's Vision and Strategic Priorities

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

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

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

## 2 The Accounts

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2011 and The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code).

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2014/15. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the Chief Finance Officer in respect of the Statement of Accounts
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2015
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2014/15

- *Notes to the Financial Accounts* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund and Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council

### 3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement (CIES) on page 11 shows the gross revenue expenditure and income together with net expenditure for 2014/15 compared with 2013/14 equivalents. The CIES is analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's organisational structures, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with SeRCOP, Note 15 page 31, demonstrates the presentational differences between these reporting requirements.

The Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. Budget managers receive detailed budgetary control information each month and most have access to online computerised systems. At departmental level, a monthly report on the budgetary control position for the relevant services is reviewed by each Departmental Management Team.

The following table reflects Council's organisation following the first phase of the Senior Management Restructure, see point 7 for further details on the restructures. It compares the revenue budget to the actual net expenditure. Figures in brackets indicate a favourable variance.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Adult Social Care Health & Wellbeing	41,158	41,883	725
Chief Executive's	444	471	27
Children Services	14,044	16,021	1,977
Communities	40,836	42,362	1,526
Governance	5,962	6,006	44
Growth & Regeneration	15,075	13,624	(1,451)
Resources	40,071	37,672	(2,399)
Use of Capacity Reserve	2,703	-	(2,703)
<b>Total Council Expenditure</b>	<b>160,293</b>	<b>158,039</b>	<b>(2,254)</b>
Transfer to Capacity Reserve			2,254
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
<b>General Fund Balance Carried Forward</b>			<b>6,000</b>

Overall the Council achieved a balanced budget position, using only £0.6m of reserves rather than the budgeted amount of £2.7m. This was a result of underspends in capital financing due to delays in completion of capital projects, income from the VAT Shelter arrangement with Cross Key Homes and management action to achieve savings from service delivery. This underspend is incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement on page 12.

### Balances

At 31 March 2015, the General Fund working balance of the Council stood at £6m which is in line with the Medium Term Financial Strategy (MTFS).

In addition the Schools balances totalled £6.3m at 31 March 2015, compared to £7.1m at 31 March 2014. These figures now include 'private funds' held by schools, see point 6 for further information on inclusion of 'private funds'.

## 4 Capital Expenditure

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

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

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

## 5 External Borrowings and Investments

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

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

## 6 Changes in Accounting Policies

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

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

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

## 7 Changes to Service Delivery and Future Developments

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

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

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

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

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

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

## 8 Pensions

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

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

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. Contribution rates relating to the schools element have increased to 19.6% as there has been no cash lump sum paid to the Fund. This approach helps maintain pension contributions as payrolls decline. These contributions were provided for in the Council's MTFS. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. Further details can be found in Note 7, page 19.

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

## 10 External Auditors

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

for two years from 2015/16. The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated that it will make a decision in the summer of 2015 about whether to extend the contracts from 2017 to 2020. See Note 3 for further information on external audit fees.

## 11 Conclusion

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

The Council approved the revenue and capital budget requirement for 2014/15 in the March 2015 MTFS. The budget supported the Council's key priorities and included £19m of savings required as a result of a combination of £9m reduction in funding and £10m pressure through an increased demand for services.

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

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

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

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

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

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

John Harrison  
Corporate Director: Resources

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

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## Report on the financial statements

### *Our opinion*

In our opinion, Peterborough City Council's financial statements (the "financial statements"):

- give a true and fair view of the state of the Authority's affairs as at 31 March 2015 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

### *What we have audited*

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Collection Fund for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

In applying the financial reporting framework, the Chief Financial Officer has made a number of subjective judgements, for example in respect of

significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Code of Audit Practice**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- 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.

### **Responsibilities for the financial statements and the audit**

#### ***Our responsibilities and those of the Chief Financial Officer***

As explained more fully in the Statement of Responsibilities the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in



accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

Our responsibility is to audit and express an opinion on the financial statements 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 ISAs (UK & 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.

#### ***What an audit of financial statements involves***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are 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 Chief Financial Officer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Chief Financial Officer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

##### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, 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 2015.

##### ***What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves***

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 on 13 October 2014, 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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.

***Our responsibilities and those of the Authority***

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.

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.

**Certificate**

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

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

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

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

**Notes:**

- (a) The maintenance and integrity of the Peterborough City Council website is the responsibility of the directors; 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 they were 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 has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director: Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2015 was approved at the meeting of the Audit Committee on 21 September 2015.

Signed on behalf of Peterborough City Council:

Chairman of meeting  
approving the accounts:

\_\_\_\_\_

Date:

\_\_\_\_\_

## The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the accounts set out on pages 11 to 88 present a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Corporate Director:  
Resources:

\_\_\_\_\_

Date:

\_\_\_\_\_

## Comprehensive Income and Expenditure Statement (CIES)

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

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

<i>Restated 2013/14*</i>						<b>2014/15</b>		
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>	<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>	<b>Notes (From Page 15)</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>	
<i>£000</i>	<i>£000</i>	<i>£000</i>			<b>£000</b>	<b>£000</b>	<b>£000</b>	
1,262	(569)	693	Central Services to the Public		1,702	(732)	970	
419	-	419	Court Services		442	-	442	
12,305	(1,557)	10,748	Cultural & Related Services		10,691	(2,157)	8,534	
253,448	(183,000)	70,448	Education & Children's Services	1, 6	229,262	(165,183)	64,079	
17,948	(5,879)	12,069	Environmental & Regulatory Services		18,805	(6,596)	12,209	
25,614	(6,940)	18,674	Highways & Transport Services		24,811	(5,975)	18,836	
84,280	(77,390)	6,890	Other Housing Services		85,192	(78,382)	6,810	
10,683	(4,024)	6,659	Planning Services		10,121	(4,437)	5,684	
66,627	(16,631)	49,996	Adult Social Care	2, 6	66,699	(16,390)	50,309	
8,536	(8,512)	24	Public Health		8,991	(9,466)	( 475)	
3,259	(1,211)	2,048	Corporate & Democratic Core	3, 4	1,716	(59)	1,657	
-	(121)	( 121)	Non Distributed Costs		-	(6,627)	(6,627)	
<b>484,381</b>	<b>(305,834)</b>	<b>178,547</b>	<b>Cost of Services</b>	15	<b>458,432</b>	<b>(296,004)</b>	<b>162,428</b>	
4,998	(2,731)	2,267	Other Operating Income & Expenditure	9	2,943	(2,916)	27	
38,692	(4,867)	33,825	Financing & Investment Income & Expenditure	10,11	63,087	(6,585)	56,502	
6,574	(176,342)	(169,768)	Taxation & Non-Specific Grant Income & Expenditure	12	6,792	(186,857)	(180,065)	
<b>534,645</b>	<b>(489,774)</b>	<b>44,871</b>	<b>(Surplus) / Deficit on Provision of Services</b>	15	<b>531,254</b>	<b>(492,362)</b>	<b>38,892</b>	
		(13,843)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(19,343)	
		(2,740)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			51,438	
		<b>(16,583)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>32,095</b>	
		<b>28,288</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>70,987</b>	

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

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 11. These are different

from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 16.

<b>Restated Movement in Reserves during 2013/14 and 2014/15</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Schools' Balances</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
<i>The restatement has occurred due to prior period adjustments, please see Note 45</i>		£000	£000	£000	£000	£000	£000	£000	£000
<i>Balance at 1 April 2013</i>	16	6,000	6,758	15,304	-	1,442	29,504	16,709	46,213
<i>Deficit / (Surplus) on Provision of Services</i>		(45,232)	361	-	-	-	(44,871)	-	(44,871)
<i>Other Comprehensive Income &amp; Expenditure</i>		-	-	-	-	-	-	16,583	16,583
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(45,232)</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,871)</b>	<b>16,583</b>	<b>(28,288)</b>
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>		51,380	-	-	-	(123)	51,257	(51,257)	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>		<b>6,148</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>(123)</b>	<b>6,386</b>	<b>(34,674)</b>	<b>(28,288)</b>
<i>Transfers to / (from) Earmarked Reserves</i>		(6,148)	-	6,148	-	-	-	-	-
<b>Increase / (Decrease) in 2013/14</b>		<b>-</b>	<b>361</b>	<b>6,148</b>	<b>-</b>	<b>(123)</b>	<b>6,386</b>	<b>(34,674)</b>	<b>(28,288)</b>
<b>Restated Balance at 31 March 2014 Carried Forward</b>		<b>6,000</b>	<b>7,119</b>	<b>21,452</b>	<b>-</b>	<b>1,319</b>	<b>35,890</b>	<b>(17,965)</b>	<b>17,925</b>
<b>Balance at 1 April 2014</b>		<b>6,000</b>	<b>7,119</b>	<b>21,452</b>	<b>-</b>	<b>1,319</b>	<b>35,890</b>	<b>(17,965)</b>	<b>17,925</b>
<i>Deficit / (Surplus) on Provision of Services</i>		(38,062)	(830)	-	-	-	(38,892)	-	(38,892)
<i>Other Comprehensive Income &amp; Expenditure</i>		-	-	-	-	-	-	(32,095)	(32,095)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(38,062)</b>	<b>( 830)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,892)</b>	<b>(32,095)</b>	<b>(70,987)</b>
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>		39,808	-	-	-	127	39,935	(39,935)	-
<b>Net Increase before Transfers to Earmarked Reserves</b>		<b>1,746</b>	<b>(830)</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>1,043</b>	<b>(72,030)</b>	<b>(70,987)</b>
<i>Transfers to / (from) Reserves</i>		(1,746)	-	1,746	-	-	-	-	-
<b>Increase / (Decrease) in 2014/15</b>		<b>-</b>	<b>( 830)</b>	<b>1,746</b>	<b>-</b>	<b>127</b>	<b>1,043</b>	<b>(72,030)</b>	<b>(70,987)</b>
<b>Balance at 31 March 2015 Carried Forward</b>		<b>6,000</b>	<b>6,289</b>	<b>23,198</b>	<b>-</b>	<b>1,446</b>	<b>36,933</b>	<b>(89,995)</b>	<b>(53,062)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 12, line 'Adjustments between accounting basis and funding basis under regulations'.

<i>Restated 1 April 2013*</i>	<i>Restated 31 March 2014*</i>	<b>Balance Sheet</b>	<b>Notes</b>	<b>31 March 2015</b>
<b>£000</b>	<b>£000</b>			<b>£000</b>
512,961	539,037	Property, Plant & Equipment	18	575,128
35,208	35,047	Investment Property	19	33,031
3,208	1,942	Intangible Assets	20	6,758
143	30	Long Term Investments	28	45
2,332	2,596	Long term Debtors	28, 29	2,993
<b>553,852</b>	<b>578,652</b>	<b>Long Term Assets</b>		<b>617,955</b>
141	47	Short Term Investments	28	59
341	288	Inventories	31	296
46,055	56,454	Short Term Debtors	32	50,084
1,214	2,789	Cash & Cash Equivalents	39	7,870
5	-	Current Intangible Asset		-
435	-	Assets Held for Sale	21	221
<b>48,191</b>	<b>59,578</b>	<b>Current Assets</b>		<b>58,530</b>
(57,327)	(63,600)	Short Term Borrowing	28	(37,524)
(67,134)	(72,442)	Short Term Creditors	34	(78,367)
(2,810)	(6,461)	Provisions	33	(6,835)
<b>(127,271)</b>	<b>(142,503)</b>	<b>Current Liabilities</b>		<b>(122,726)</b>
(216,288)	(224,282)	Long Term Creditors	7	(279,022)
(654)	(465)	Provisions	33	(419)
(153,387)	(192,478)	Long Term Borrowing	28	(271,254)
(42,610)	(40,368)	Other Long Term Liabilities	26, 27, 28, 29	(38,376)
(15,620)	(20,209)	Capital Grants Receipts in Advance	35	(17,750)
<b>(428,559)</b>	<b>(477,802)</b>	<b>Long Term Liabilities</b>		<b>(606,821)</b>
<b>46,213</b>	<b>17,925</b>	<b>Net Assets</b>		<b>(53,062)</b>
(29,504)	(35,890)	Usable Reserves	16	(36,933)
(16,709)	17,965	Unusable Reserves	16	89,995
<b>(46,213)</b>	<b>(17,925)</b>	<b>Total Reserves</b>		<b>53,062</b>

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

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which

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

<i>Restated 2013/14*</i> £000	<b>Cash Flow Statement</b>	<b>Notes</b>	<b>2014/15 £000</b>
44,871	Net (Surplus) / Deficit on the Provision of Services		38,892
(47,544)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(22,122)
(38,951)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(36,619)
(41,624)	<b>Net Cash Flows from Operating Activities</b>		<b>(19,849)</b>
87,525	Investing Activities	37	107,672
(47,476)	Financing Activities	38	(92,904)
(1,575)	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(5,081)</b>
1,214	Cash & Cash Equivalents at the Beginning of the Reporting Period		2,789
1,575	Increase / (Decrease) in Cash and Cash Equivalents		5,081
2,789	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	39	<b>7,870</b>

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

# Notes to the Accounts

## 1 Dedicated Schools Grant (DSG)

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

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

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

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

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



## 2 Pooled Funds

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

### Learning Disability Services

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

### Integrated Community Equipment Services (ICES)

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

### Mental Health Services

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

## 3 External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors, PricewaterhouseCoopers LLP. The 2013/14 amounts have been restated to reflect the actual final payments made for that year, which were previously disclosed as additional text to this note, as estimated figures had been used.

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

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

## 4 Member's Allowances

The following amounts were paid to members of the Council.

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

## 5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2014/15, incurring liabilities of £1.1m (£1.6m 2013/14). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs include those paid and those provided for in the year (see Note 33 for details of the redundancy provision). The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the following table:

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

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

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

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

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

## 6 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pension Scheme

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

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

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

In 2014/15 the Council paid £5.5m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £5.9m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 7.

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

### NHS Pension Scheme

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

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

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

## 7 Defined Benefit Pension Schemes

### Participation in pension schemes

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

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

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

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

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

### Transactions Relating to Post-Employment Benefits

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

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

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

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

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

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £279m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 40. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

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

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

apart from the asset category Private Equity, Investment Funds and Unit Trusts.

31 March 2014 £000	Local Government Pension Scheme Assets comprised	31 March 2015 £000
	<b>Equity Securities</b>	
27,486	Consumer	34,915
25,978	Manufacturing	21,612
11,155	Energy and Utilities	9,932
31,757	Financial Institutions	28,831
9,280	Health and Care	17,163
18,824	Information Technology	15,939
874	Other	-
<u>125,354</u>	Sub-total equity	<u>128,392</u>
18,726	<b>Private Equity: Investment Funds and Unit Trusts</b>	24,993
101,219	Equities	108,596
47,984	Bonds	53,750
17,311	Other	26,227
<u>166,514</u>	Sub-total Investment Funds and Unit Trusts	<u>188,573</u>
<u>4,197</u>	<b>Cash and Cash Equivalents</b>	<u>10,563</u>
<u>314,791</u>	<b>Total Assets</b>	<u><b>352,521</b></u>

#### Basis for estimating assets and liabilities

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

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

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

31 March 2014	Long-term expected rate of return on assets in the scheme	31 March 2015
4.3%	Equity Investments	3.2%
4.3%	Bonds	3.2%
4.3%	Property	3.2%
4.3%	Cash	3.2%
<b>Mortality Assumptions</b>		
Longevity at 65 for Current Pensioners:		
22.5	Men (years)	22.5
24.5	Women (years)	24.5
Longevity at 65 for Future Pensioners:		
24.4	Men (years)	24.4
26.9	Women (years)	26.9
<b>Financial Assumptions</b>		
2.8%	Rate of inflation	2.4%
2.8%	Rate of increase in pensions	2.4%
4.6%	Rate of increase in salaries	4.3%
4.3%	Rate for discounting scheme liabilities	3.2%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

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

### Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. This helps maintain contributions as payrolls decline. These contributions were provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme.

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

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

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

## 8 Officers' Remuneration

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

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

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

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

### Interim Directors and Directors not directly employed

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

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

the Council pays a fixed contribution to Cambridgeshire County Council for the salary. The cost to the service in 2014/15 was £4,361.

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



## Senior Employees Remuneration

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

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

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

Post Holder	Year	Salary <sup>1</sup>	Arrears	Compensation for loss of Office	Election duties <sup>2</sup>	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) <sup>3</sup>	Total Remuneration (inc. Pension contributions)
Executive Director: Children's Services	2014/15	£113,818	-	-	£200	<b>£114,018</b>	£18,677	<b>£132,695</b>
<ul style="list-style-type: none"> <li>The post holder was Executive Director: Children's services until 1 March 2015</li> </ul>	2013/14	£124,269	-	-	-	£124,269	£22,000	£146,269
Executive Director of Adult Social Care, Health and Well Being	2014/15	£128,653	-	£49,929	£200	<b>£178,782</b>	£21,112	<b>£199,894</b>
<ul style="list-style-type: none"> <li>2014/15 The post holder was Executive Director of Adult Social Care Health and Well Being until 15 March 2015</li> <li>2013/14 The post holder was Director of Adult Social Care Health and Well Being from 1 November 2013 and Acting Director of Adult Social Care from 15 April to 31 October 2013</li> </ul>	2013/14	£115,269	-	-	-	£115,269	£20,406	£135,675
Executive Director: Operations	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Executive Director Operations until 30 November 2013</li> </ul>	2013/14	£71,245	-	£49,443	£1,000	£121,688	£12,744	£134,432
Interim Director of Public Health	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Interim Director Public Health until 30 November 2013</li> </ul>	2013/14	£59,590	-	£186,438	-	£246,028	£8,438	£254,466
Solicitor to the Council	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> <li>2013/14 The post holder was Solicitor to the Council until 31 May 2013</li> </ul>	2013/14	£17,531	-	£91,757	£1,000	£110,288	£3,085	£113,373
<p>1. Salary reflects actual amounts paid in the relevant period, and includes fees &amp; allowances plus basic arrears. It reflects any deductions from pay, eg car parking charges which are deducted directly from earnings</p> <p>2. Payment for election duties depend on the elections overseen in the year. During 2014/15 there were European Elections as well as local elections.</p> <p>3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.</p> <p>N.B There were no Bonuses, Expenses Allowances, or Benefit's in Kind payable during the 2014/15 or 2013/14.</p>								

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

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

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

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

<i>Restated</i> 2013/14 * £000	Financing & Investment Income & Expenditure	2014/15 £000
11,204	Interest Payable & Similar Charges (Note 28)	13,233
(210)	Interest Receivable & Similar Income (Note 28)	(239)
9,746	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	9,366
(1,449)	(Gains) / Losses on Trading Operations - (Note 11)	1,549
1,751	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	1,898
984	Impairment of Current Assets	614
11,799	De-recognition of Subsidiary Assets	30,081
<b>33,825</b>	<b>Total</b>	<b>56,502</b>

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

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

## 11 Trading Operations

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

Trading Operations 2014/15	Expenditure	Income	Deficit /
	£000	£000	(Surplus) £000
Industrial Properties	529	(1,862)	(1,333)
Commercial Properties	793	(1,690)	( 897)
Market Properties	327	(372)	( 45)
<b>Total for Properties</b>	<b>1,649</b>	<b>(3,924)</b>	<b>(2,275)</b>
Westcombe Industries	1,188	(1,053)	135
Environment Capital	4,509	(1,369)	3,140
<b>Other Traded Services</b>	<b>5,697</b>	<b>(2,422)</b>	<b>3,275</b>
<b>Sub Total</b>	<b>7,346</b>	<b>(6,346)</b>	<b>1,000</b>
Capital Charges Adjustment	549	-	549
<b>Total for Trading Units</b>	<b>7,895</b>	<b>(6,346)</b>	<b>1,549</b>

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

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the council and deliver aspects of the Council's Environment Capital vision. The deficit for 2014/15 was caused by one-off abortive costs of £3.2m related to the Wind & Solar capital project which Cabinet resolved to cease in February 2015 due to changes in government support and national planning guidance.

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

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

Restated 2013/14*	Taxation & Non-Specific Grant Income	2014/15
£000		£000
(57,124)	Council Tax Income	(58,947)
144	NDR Levy Payment	237
6,430	NDR Tariff Payment	6,555
(40,966)	NDR Income	(45,098)
<b>(91,516)</b>	<b>Total Taxation Income</b>	<b>(97,253)</b>
	<b>Non-Specific Government Grants</b>	
(55,166)	Revenue Support Grant	(45,972)
(649)	Council Tax Freeze Grant	(663)
(3,750)	New Homes Bonus	(4,869)
(987)	Section 31 Grant	(1,510)
(155)	Local Services Support Grant	(70)
<b>(60,707)</b>	<b>Total Non-Specific Grants</b>	<b>(53,084)</b>
<b>(17,545)</b>	Capital Grants & Contributions (Note 25)	(29,728)
<b>(169,768)</b>	<b>Total Income</b>	<b>(180,065)</b>

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

### 13 Related Parties

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

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 15 on reporting for resources allocation decisions.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2014/15 is shown in Note 4. Members have been consulted over potential related parties and four Councillors are directors of companies that have transacted with the Council in the last financial year. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts. These companies include a day nursery, a construction company, a property company and Peterborough Environmental City Trust. The transactions with the day nursery, construction company and property company are included in the following table but the transaction with Peterborough Environmental City Trust is not of a material nature for either the

Council or the company and is therefore not disclosed separately.

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

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

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of legal services and regulatory services to Rutland County Council, a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council, planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council and neighbourhood planning services to North Kesteven District Council and West Lindsey District Council. In January 2012 the Council entered into a framework agreement for Solar PV installations which in 2014/15 was accessed by Colchester Borough Council. The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council including a joint area based broadband project. These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature.

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

Where the Council has substantial interest in companies and relevant transactions and balances these are detailed in Note 0.

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise. The complete List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>). The following tables detail the expenditure, included in the cost of services in the Comprehensive Income and Expenditure Statement, made by the Council to those organisations.

#### Related Parties Expenditure - 2014/15

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

*Related Parties - Expenditure- 2013/14 Comparators*

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

The Council also received income from some of the organisations. The following tables detail the amounts included in the Comprehensive Income and Expenditure Statement

**Related Parties – Income – 14/15**

Organisation	Council Representative	Receipt to the Council £000	Balance Outstanding £000
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	2,874	248
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Goodwin	49	34
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	67	164
Vivacity	Cllr L Serluca Cllr G Casey	1,196	424

*Related Parties – Income – 13/14 Comparators*

Organisation	Council Representative	Receipt to the Council £000	Balance Outstanding £000
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	1,779	137
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Goodwin	14	2
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	354	258
Vivacity	Cllr G Casey Cllr G Elsey	516	307

## 14 Interest in Companies and Partnerships

### Opportunity Peterborough Limited

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

The company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this £330,000 in 2014/15 (£380,000 2013/14 - Restated to exclude some payments for services) along with funding for seconded staff £12,440 in 2014/15 (£20,965 2013/14) are included within the Council’s Net Cost of Services. During the year the Council provided office space with a rental value of £36,266 on a rent free basis.

The net assets of the Company at 31 March 2015 are £195,794 (31 March 2014, £158,420), and the Company made a net surplus of £37,374 in 2014/15 (2013/14, deficit of £37,665). The accounts can be obtained from Opportunity Peterborough, Eco Innovation Centre, City Road, Peterborough, Cambridgeshire PE1 1SA

### Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2015 there have been no transactions through the company.

### Peterborough Investment Partnership LLP

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

## 15 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice. However, the Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. These reports are based on the Council’s organisational structure following the first phase of the Senior Management Restructure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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



<b>Portfolio Income &amp; Expenditure for 2014/15</b>	<b>ASC H&amp;W* £000</b>	<b>Chief Executives £000</b>	<b>Children's Services £000</b>	<b>Communities £000</b>	<b>Governance £000</b>	<b>Growth &amp; Regeneration £000</b>	<b>Resources £000</b>	<b>2014/15 Total £000</b>
Fees, charges & other service income	(16,143)	-	(2,385)	(7,630)	(7,109)	(3,160)	(32,691)	(69,118)
Government Grants	-	-	(437)	(12,807)	(275)	(1,655)	(235,480)	(250,654)
<b>Total Income</b>	<b>(16,143)</b>	<b>-</b>	<b>(2,822)</b>	<b>(20,437)</b>	<b>(7,384)</b>	<b>(4,815)</b>	<b>(268,171)</b>	<b>(319,772)</b>
Employee expenses	9,875	275	14,346	13,307	7,502	4,616	90,837	140,758
Other service expenses	48,151	196	4,497	49,492	5,888	13,823	215,126	337,173
<b>Total Expenditure</b>	<b>58,026</b>	<b>471</b>	<b>18,843</b>	<b>62,799</b>	<b>13,390</b>	<b>18,439</b>	<b>305,963</b>	<b>477,931</b>
<b>Net Expenditure</b>	<b>41,883</b>	<b>471</b>	<b>16,021</b>	<b>42,362</b>	<b>6,006</b>	<b>13,624</b>	<b>37,792</b>	<b>158,159</b>
<b>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>								
Net Expenditure in the Portfolio Analysis								158,159
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								40,519
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(36,250)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>								<b>162,428</b>

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

<b>Portfolio Income &amp; Expenditure for 2013/14 Restated – see note 45</b>	<b>ASC H&amp;W* £000</b>	<b>Chief Executives £000</b>	<b>Children's Services £000</b>	<b>Communities £000</b>	<b>Governance £000</b>	<b>Growth &amp; Regeneration £000</b>	<b>Resources £000</b>	<b>2013/14 Total £000</b>
Fees, charges & other service income	(16,381)	(33)	(2,153)	(8,090)	(6,966)	(3,968)	(42,975)	(80,566)
Government Grants	-	-	(322)	(10,737)	(248)	(1,791)	(226,992)	(240,090)
<b>Total Income</b>	<b>(16,381)</b>	<b>(33)</b>	<b>(2,475)</b>	<b>(18,827)</b>	<b>(7,214)</b>	<b>(5,759)</b>	<b>(269,967)</b>	<b>(320,656)</b>
Employee expenses	8,949	265	13,064	15,591	7,137	5,135	98,625	148,766
Other service expenses	50,071	143	4,281	51,364	5,418	15,585	204,753	331,615
<b>Total Expenditure</b>	<b>59,020</b>	<b>408</b>	<b>17,345</b>	<b>66,955</b>	<b>12,555</b>	<b>20,720</b>	<b>303,378</b>	<b>480,381</b>
<b>Net Expenditure</b>	<b>42,639</b>	<b>375</b>	<b>14,870</b>	<b>48,128</b>	<b>5,341</b>	<b>14,961</b>	<b>33,411</b>	<b>159,725</b>
<b>Reconciliation of Portfolio Income &amp; Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>								
Net Expenditure in the Portfolio Analysis								159,725
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								46,104
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(27,282)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>								<b>178,547</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the '(Surplus) / Deficit on the Provision of Services' line included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2014/15	Portfolio Analysis	Amounts not Reported to Mgmt <sup>1</sup>	Amounts not included in CIES <sup>2</sup>	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(68,920)	6,637	6,360	9,320	(46,603)	(9,262)	(55,865)
Interest & Investment Income	(198)	-	198	-	-	(239)	(239)
Income from Council Tax	-	-	-	-	-	(58,947)	(58,947)
NDR Income	-	-	-	-	-	(45,098)	(45,098)
Government Grants & Contributions	(250,654)	(5,859)	7,112	-	(249,401)	(82,812)	(332,213)
<b>Total Income</b>	<b>(319,772)</b>	<b>778</b>	<b>13,670</b>	<b>9,320</b>	<b>(296,004)</b>	<b>(196,358)</b>	<b>(492,362)</b>
Employee Expenses	140,758	(6,316)	(471)	-	133,971	9,836	143,807
Other Service Expenses	324,029	(5,807)	(36,305)	-	281,917	14,521	296,438
Support Services Recharges	-	-	-	(9,320)	(9,320)	-	(9,320)
Depreciation, Amortisation & Impairment	-	51,864	-	-	51,864	2,448	54,312
Interest Payments	13,144	-	(13,144)	-	-	13,233	13,233
Precepts & Levies	-	-	-	-	-	1,038	1,038
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2
Movement on Revaluation of Assets Held for Sale	-	-	-	-	-	-	-
Loss on Disposal of Non-Current Assets	-	-	-	-	-	31,744	31,744
<b>Total Expenditure</b>	<b>477,931</b>	<b>39,741</b>	<b>(49,920)</b>	<b>(9,320)</b>	<b>458,432</b>	<b>72,822</b>	<b>531,254</b>
<b>Deficit / (Surplus) on the Provision of Services</b>	<b>158,159</b>	<b>40,519</b>	<b>(36,250)</b>	<b>-</b>	<b>162,428</b>	<b>(123,536)</b>	<b>38,892</b>

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

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

<i>Restated Reconciliation to Subjective Analysis 2013/14 – Comparative Figures Table*</i>	<i>Portfolio Analysis</i>	<i>Amounts not Reported to Mgmt</i>	<i>Amounts not included in CIES</i>	<i>Allocation of Recharges</i>	<i>Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Fees, Charges &amp; Other Service Income</i>	(80,356)	6,285	4,662	8,132	(61,277)	(7,386)	(68,663)
<i>Interest &amp; Investment Income</i>	(210)	-	210	-	-	(210)	(210)
<i>Income from Council Tax</i>	-	-	-	-	-	(57,126)	(57,126)
<i>NDR Income</i>	-	-	-	-	-	(40,966)	(40,966)
<i>Government Grants &amp; Contributions</i>	(240,090)	(10,008)	5,541	-	(244,557)	(78,252)	(322,809)
<b><i>Total Income</i></b>	<b>(320,656)</b>	<b>(3,723)</b>	<b>10,413</b>	<b>8,132</b>	<b>(305,834)</b>	<b>(183,940)</b>	<b>(489,774)</b>
<i>Employee Expenses</i>	148,766	533	(410)	-	148,889	10,156	159,045
<i>Other Service Expenses</i>	324,228	(12,557)	(29,898)	-	281,773	9,811	291,584
<i>Support Services Recharges</i>	-	-	-	(8,132)	(8,132)	-	(8,132)
<i>Depreciation, Amortisation &amp; Impairment</i>	-	61,851	-	-	61,851	2,297	64,148
<i>Interest Payments</i>	7,387	-	(7,387)	-	-	11,204	11,204
<i>Precepts &amp; Levies</i>	-	-	-	-	-	972	972
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	4	4
<i>Movement on Revaluation of Assets Held for Sale</i>	-	-	-	-	-	-	-
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	15,820	15,820
<b><i>Total Expenditure</i></b>	<b>480,381</b>	<b>49,827</b>	<b>(37,695)</b>	<b>(8,132)</b>	<b>484,381</b>	<b>50,264</b>	<b>534,645</b>
<b><i>Deficit / (Surplus) on the Provision of Services</i></b>	<b>159,725</b>	<b>46,104</b>	<b>(27,282)</b>	<b>-</b>	<b>178,547</b>	<b>(133,676)</b>	<b>44,871</b>

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

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

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

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

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

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

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

- **Summary of Usable and Unusable Reserves**

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

1 April 2013	Restated Movement*	Restated 31 March 2014*	<b>Summary of Usable and Unusable Reserves</b>	Restated 1 April 2014*	Movement	31 March 2015
£000	£000	£000		£000	£000	£000
			<b>Usable Reserves</b>			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,758)	(361)	(7,119)	School's Balances	(7,119)	830	(6,289)
(15,304)	(6,148)	(21,452)	Specific Earmarked Reserves (Note 17)	(21,452)	(1,746)	(23,198)
-	-	-	Capital Receipts Reserve	-	-	-
(1,442)	123	(1,319)	Capital Grants Unapplied Account	(1,319)	(127)	(1,446)
<b>(29,504)</b>	<b>(6,386)</b>	<b>(35,890)</b>	<b>Total Usable Reserves</b>	<b>(35,890)</b>	<b>(1,043)</b>	<b>(36,933)</b>
			<b>Unusable Reserves</b>			
(103,355)	(7,111)	(110,466)	Revaluation Reserve	(110,466)	(8,410)	(118,876)
(133,431)	31,547	(101,884)	Capital Adjustment Account	(101,884)	26,082	(75,802)
(975)	952	(23)	Deferred Capital Receipts Reserve	(23)	4	(19)
489	(8)	481	Financial Instruments Adjustment Account	481	(7)	474
216,288	7,994	224,282	Pension Reserve	224,282	54,740	279,022
331	1,755	2,086	Collection Fund Adjustment Account	2,086	(126)	1,960
3,944	(455)	3,489	Accumulating Compensated Absences Adjustment Account	3,489	(253)	3,236
<b>(16,709)</b>	<b>34,674</b>	<b>17,965</b>	<b>Total Unusable Reserves</b>	<b>17,965</b>	<b>72,030</b>	<b>89,995</b>
<b>(46,213)</b>	<b>28,288</b>	<b>(17,925)</b>	<b>Total Usable and Unusable Reserves</b>	<b>(17,925)</b>	<b>70,987</b>	<b>53,062</b>

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non current assets	(23,340)	-	-	23,340
Revaluation losses on Property Plant and Equipment	(19,194)	-	-	19,194
Movements in the fair value of Investment Properties	(1,898)	-	-	1,898
Amortisation of intangible assets	(1,384)	-	-	1,384
Capital grants and contributions	35,019	-	-	(35,019)
Revenue expenditure funded from capital under statute	(8,597)	-	-	8,597
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(31,984)	-	-	31,984
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	10,916	-	-	(10,916)
Capital expenditure charged against the General Fund	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	669	-	(669)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	542	( 542)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,903	(2,903)	-	-
Use of the reserve to finance new capital expenditure	-	2,905	-	(2,905)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(4)	-	4
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	7	-	-	(7)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(15,407)	-	-	15,407
Employer's pensions contributions & direct payments to pensioners payable in the year	12,105	-	-	(12,105)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	911	-	-	(911)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(785)	-	-	785
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments for short-term compensated absences	253	-	-	(253)
<b>Total Adjustments</b>	<b>(39,808)</b>	<b>-</b>	<b>(127)</b>	<b>39,935</b>

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

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

- **Revaluation Reserve**

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

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

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

<i>Restated</i> 2013/14* £000	<b>Revaluation Reserve:</b>	<b>2014/15</b> <b>£000</b>
(103,355)	Balance at start of year	(110,466)
(22,925)	Upward revaluation of assets	(25,089)
9,082	Downward revaluation of assets & impairment losses not charged to the Surplus / Deficit on the Provision of services	5,746
2,020	Difference between fair value depreciation & historical cost depreciation	1,924
4,712	Release of revaluation gains on disposal	9,009
<b>(110,466)</b>	<b>Balance at end of the year</b>	<b>(118,876)</b>

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

- **Capital Adjustment Account**

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

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

<i>Restated</i> 2013/14* £000	<b>Capital Adjustment Account:</b>	<b>2014/15</b> <b>£000</b>
(133,431)	Balance at start of year	(101,884)
26,126	Charges for depreciation & Impairment	23,340
8,439	Revaluation gains / losses on Property, Plant & Equipment	19,194
1,751	Movement in market value of Investment Properties	1,898
2,209	Amortisation of Intangible Assets	1,384
(27,139)	Capital Grants & Contributions that have been applied to Capital Financing	(35,019)
25,209	Revenue Expenditure Funded from Capital under Statute	8,597
15,820	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	31,984
(10,336)	Provision for the Repayment of Debt (MRP)	(10,916)
(123)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(542)
(2,020)	Depreciation & Impairment written down to Revaluation Reserve	(1,924)
(4,712)	Transfer of Revaluation Reserve on disposal	(9,009)
(3,677)	Transfer from Useable Capital Receipts	(2,905)
<b>(101,884)</b>	<b>Balance at end of the year</b>	<b>(75,802)</b>

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

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



costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

- **Deferred Capital Receipts Reserve**

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

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

- **Financial Instruments Adjustment Account**

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

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

- **Pensions Reserve**

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

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

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 70.

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

- **Accumulating Compensated Absences Adjustment Account**

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

2013/14 £000	<b>Accumulating Compensated Absences Adjustment Account:</b>	2014/15 £000
3,944	Balance at start of year	3,489
(455)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(253)
<u>3,489</u>	Balance at end of the Year (Note 34)	<u>3,236</u>

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

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

General Fund Earmarked Reserves	31 March 2014	Transfers Out	Transfers In	Movement between Reserves	31 March 2015	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	4,100	(1,954)	4,893	(322)	6,717	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,687	-	414	(1,500)	3,601	To provide for future claims (self insurance). A number of risks, contingencies and financial losses are held covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £25,000 per loss, are also met by the Reserve.
Schools Capital	1,027	(325)	527	(79)	1,150	School revenue reserves put aside for funding future school capital schemes.
Future Cities	2,685	(611)	-	-	2,074	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Available for Capacity Building	8,560	(7,495)	5,906	1,923	8,894	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	-	-	254	-	254	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
Other	393	-	137	(22)	508	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts, Salix Carbon Reduction and Parish Burial Reserves.
<b>Total Reserves</b>	<b>21,452</b>	<b>(10,385)</b>	<b>12,131</b>	<b>-</b>	<b>23,198</b>	

## 18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2014/15	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014 Gross Book Value</b>	<b>363,955</b>	<b>29,791</b>	<b>197,596</b>	<b>4,160</b>	<b>570</b>	<b>23,132</b>	<b>46,036</b>	<b>665,240</b>
Additions	6,146	3,610	19,368	53	-	32	67,658	96,867
Revaluation increase / (decrease) recognised in the Revaluation Reserve	12,766	-	-	92	83	-	-	12,941
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(19,705)	-	-	-	-	-	-	(19,705)
Derecognition - Disposals	(31,770)	(90)	-	-	-	(878)	(36)	(32,774)
Reclassified Assets	(176)	(237)	-	-	-	(758)	-	(1,171)
Assets Under Construction Completed In Year	26,638	1,706	-	-	-	-	(31,251)	(2,907)
<b>At 31 March 2015</b>	<b>357,854</b>	<b>34,780</b>	<b>216,964</b>	<b>4,305</b>	<b>653</b>	<b>21,528</b>	<b>82,407</b>	<b>718,491</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	<b>(29,871)</b>	<b>(17,245)</b>	<b>(73,216)</b>	<b>(3,264)</b>	<b>-</b>	<b>(2,255)</b>	<b>(352)</b>	<b>(126,203)</b>
Depreciation Charge	(7,185)	(4,475)	(10,110)	-	-	-	-	(21,770)
Depreciation written out to the Revaluation Reserve	3,918	20	-	-	-	-	-	3,938
Depreciation written out to the (Surplus) / Deficit on Provision of Services	484	27	-	-	-	-	-	511
Impairment (losses) /reversals recognised in the Revaluation Reserve	2,503	-	-	-	-	(39)	-	2,464
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(1,255)	(204)	-	(58)	-	(47)	(6)	(1,570)
Derecognition – Movement on Transfers	-	150	-	-	-	741	(2,688)	(1,797)
Derecognition - Disposals	927	59	-	-	-	44	34	1,064
<b>At 31 March 2015</b>	<b>(30,479)</b>	<b>(21,668)</b>	<b>(83,326)</b>	<b>(3,322)</b>	<b>-</b>	<b>(1,556)</b>	<b>(3,012)</b>	<b>(143,363)</b>
<b>Net Book Value - At 31 March 2015</b>	<b>327,375</b>	<b>13,112</b>	<b>133,638</b>	<b>983</b>	<b>653</b>	<b>19,972</b>	<b>79,395</b>	<b>575,128</b>
<i>Net Book Value - At 31 March 2014</i>	<i>334,084</i>	<i>12,546</i>	<i>124,380</i>	<i>896</i>	<i>570</i>	<i>20,877</i>	<i>45,684</i>	<i>539,037</i>

Comparative Movements in 2013/14

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

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

## 19 Investment Properties

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

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

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

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

## 20 Intangible Assets

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

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

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

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

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

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

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

## 21 Assets Held for Sale

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

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

## 22 Capital Commitments

As at 31 March 2015 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. These contracts at a budgeted cost of £115.2m are part of the approved capital programme within the MTFs. The major commitments are:

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



## 23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at fair value and is revalued at least every four years. The valuations in 2014/15 were carried out by Peterborough Serco Strategic Partnership (PSSP) and Wilks Head & Eve (WHE). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

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

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

Revaluation Reserve see Note 16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Assets Held for Sale* £000	Total £000
Valued at fair value as at:				
31 March 2015	8,424	16	(30)	8,410
31 March 2014	10,037	(6)	(2,920)	7,111
31 March 2013	(4,801)	(6)	(292)	(5,099)
31 March 2012	26,914	(26)	(1,172)	25,716
Prior 31 March 2011	61,439	43	21,256	82,738
<b>Total Valuation</b>	<b>102,013</b>	<b>21</b>	<b>16,842</b>	<b>118,876</b>

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

## 24 Impairment Losses

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

During 2014/15 £7.7m of impairment losses have been charged to the Support Services line in the Comprehensive Income and Expenditure Statement. Capital expenditure of £2.4m has been spent on improving the Council's assets which has not significantly increased the value of each individual building, under the current valuation methodology, and abortive costs of £3.2m relating to the Wind and Solar project are also included.

## 25 Capital Expenditure and Capital Financing

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

2013/14 £000		2014/15 £000
316,098	<b>Opening Capital Financing Requirement</b>	365,748
26,843	Property, Plant and Equipment (Note 18)	29,208
35,592	Assets Under Construction (Note 18)	67,658
1,152	Investment Properties (Note 19)	157
3	Assets Held for Sale (Note 21)	-
1,126	Intangible Assets (Note 20)	3,234
25,209	Revenue Expenditure Funded from Capital under Statute (REFCUS)	8,597
1,000	Loans to Third Parties	-
-	Abortive costs of Wind & Solar Project*	(2,688)
	<b>Sources of Finance</b>	
(3,677)	Capital Receipts	(2,905)
(27,262)	Capital Grants & Contributions	(35,561)
(10,336)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(10,916)
<b>365,748</b>	<b>Closing Capital Financing Requirement</b>	<b>422,532</b>
	<b>Explanation of movements in year</b>	
59,589	Increase in underlying need to borrow:	70,105
397	Assets acquired under finance leases	284
	Decrease in underlying need to borrow:	
(10,336)	MRP	(10,916)
-	Abortive costs of Wind & Solar Project*	(2,688)
<b>49,650</b>	<b>Increase in Capital Financing Requirement</b>	<b>56,785</b>

\* Abortive costs of Wind & Solar Project in the above table relate to costs capitalised and financed in previous financial years. The £3.2m mentioned in Notes 11 & 24 is made up of this and a further £0.5m incurred in 2014/15.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2014/15 this expenditure is £8.6m compared with £25.2m in 2013/14. This breakdown is shown in the following table.

2013/14 £000	<b>Revenue Expenditure Funded from Capital Under Statute</b>	2014/15 £000
1,878	Disabled Facility and Assistance Grants	2,912
1,802	Affordable Housing	1,065
2,594	Nene Park Academy	70
5,234	Stanground Academy	527
1,132	Fulbridge Academy Extension	2,282
3,590	All Saints Primary School	-
2,692	City of Peterborough Academy	-
4,886	Thomas Deacon KS2	1,047
-	City Centre Conservation	125
-	St. Botolph's School	409
1,025	Other Schools Expenditure	62
376	Other Expenditure	98
<b>25,209</b>	<b>Total</b>	<b>8,597</b>

Academies are the responsibility of Government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2013/14 £000	Reconciliation of Grant Funding Applied to Capital Financing	2014/15 £000
17,545	Grants Received in year (Note 12)	29,728
-	Grants Received in year not applied in year	(669)
111	Grants Applied from Capital Grants Unapplied Account	539
	<b>Grants used to Fund Revenue Expenditure Funded from Capital under Statute:</b>	
9,594	In Year	5,960
12	Applied from Capital Grants Unapplied Account	3
<b>27,262</b>	<b>Total Grants &amp; Contributions applied</b>	<b>35,561</b>

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

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

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

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

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

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

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

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

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

## 27 Council Leasing Arrangements

### Council as Lessee - Finance Leases

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

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

Two land leases held on 999 year leases, two school leases for 125 years, a retail property held on a 99 year lease, a pavilion and a bus shelter are at peppercorn rent, whilst the two industrial site units are carried on the Council's Balance Sheet as Investment Properties at the net book values shown above.

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

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

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

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

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

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

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

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2015 the minimum payments expected to be received under these sub-leases was £274k (£288k in 2013/14).

### Council as Lessee - Operating Leases

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

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

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

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

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

### Council as Lessor - Finance Leases

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

### Council as Lessor – Operating Leases

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

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

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

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

\* Above operating leases range from five to 112 years

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

### 28 Financial Instruments

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

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

The debtors figure (£2,993k) in the following table includes a long term debtor for the Local Authority Mortgage Scheme (LAMS). In December 2011 the Council advanced £1m with a further £1m in July 2013 to Lloyds Banking Group as part of this scheme. LAMS is aimed at supporting first time buyers and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council, interest is payable and received annually on the advance. As at 31 March 2015 the total mortgage approved against the £2m indemnity is £1,890,605 (£1,890,781 as at 31 March 2014).

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

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

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

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

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

- PWLB interest rates for new loans at 31 March 2015 have been used for loans from the PWLB
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable
- no early repayment is recognised

- the Fair Value of trade debtors is taken to be the invoiced or billed amount

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

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

The Fair Value of the financial liabilities in 2014/15 is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. See Note 0 for explanation of Market Risk.

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and money market movements.

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

### **Credit risk**

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

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

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

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amount deposited in the highest rated category. The main credit rating agencies intend to change the methodology for assessing financial institutions during 2015/16. The credit element of the future methodology will focus solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £50m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from its treasury advisors, Capita Asset Services.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council had a total of £8.9m deposited with UK banks at 31 March 2015. The full amount is potentially exposed to credit risk.



There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of irrecoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2015.

Prior to 2008/09 and the experience in relation to the investments in banks with Icelandic parents, the Council had no experience of default. The following table shows the original invested amounts, and current carrying value following impairment adjustments required from improved recovery rates.

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

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

The Administrators for Heritable Bank (Ernst & Young) issued a 'final' dividend during 2013/14 stating that no further dividends would be paid, therefore the Council made no further allowance

in the accounts for recovery beyond the 94% received. An updated 'Progress Report to Creditors' issued by Ernst & Young on 21 May 2015 stated that the recovery rate is now expected to be 98p to 100p in the £. As a result the Council has recognised a debtor for the revised recoverable amount.

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

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

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

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

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loans Board (PWL) and

the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

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

The maturity analysis of financial liabilities is as follows:

2013/14 £000	<b>Maturity analysis of financial liabilities</b>	2014/15 £000
(75,649)	Less than one year	(52,382)
(19,272)	Between one and two years	(11,616)
(30,728)	Between two and five years	(31,093)
(182,846)	Between five and fifty years	(266,921)
<u>(308,495)</u>	<b>Total</b>	<u>(362,012)</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 risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at fixed rates – the fair value of the assets will fall

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

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

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

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

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

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £50.6m (see Note 28) but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

#### Price Risk

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

The Council has a £1 share in its subsidiary company, Blue Sky Peterborough Limited. The Council is not exposed to price risk through this holding.

#### Foreign Exchange Risk

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

### 31 Inventories

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

### 32 Debtors

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

\* In previous year's accounts, debtors balances for Cambridgeshire County Council and Peterborough Primary Care Trust had been separately identified as material balances. As these balances were not material in either 2013/14 or 2014/15 they are now included within the General Debtors balance.

### 33 Provisions

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

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### 34 Creditors

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

### 35 Capital Grants Receipts in Advance

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

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

### 36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

### 37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

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

### 38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

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

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

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

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

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

### 40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at

31 March 2015 was £37,465 (£82,508 at 31 March 2014). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £63,224 at 31 March 2015 (£158,195 at 31 March 2014) all invested internally. The Council was holding a larger balance as at 31 March 2014 due to temporarily holding funds from the sale of a property.

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

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and art Gallery were transferred to Vivacity. However the Council remains sole Trustee.

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

### 41 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these

issues. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.

- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example land transferred to the Council from the Homes and Communities Agency (formerly known as the Housing Corporation).
- Municipal Mutual Insurance (MMI) – In 1992/93 the Council's insurers, MMI ceased taking new business and are now being managed under a "scheme of arrangement". The amount paid to the Council under this arrangement was £316,000. The Council has been asked to repay a proportion of the above amount which was accounted for in the 2012/13 accounts, but further amounts which cannot be quantified at this stage may be demanded from the Council in the future. There is an element of coverage for this within the Insurance Reserve.
- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied. Reimbursement of grants may be necessary if it is found that the Council has not met the terms and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.

- Under a 1987 Bond Issue North Housing Association Ltd (now Home Housing) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m.
- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

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

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

- IFRS 13 Fair Value Measurement – this is a new standard that requires the Council to measure its assets and liabilities, and provide disclosures where the Code requires or permits fair value measurement. The measurement requirements for

operational property, plant and equipment will not be subject to change and will be subject to the overarching concept of current value. However, disclosures about valuation are to be enhanced. Investment assets and all other surplus assets, which are currently measured at existing use valuation, will be required to be measured at fair value, again with new disclosure requirements. Any amendments due to the adoption of this IFRS will be prospective and therefore it is not anticipated that a third balance sheet will need to be presented.

- IFRIC 21 Levies – is where a Government may impose a levy on an entity. It is anticipated that this change will have no material impact on the Council's financial statements.
- Annual Improvements to IFRSs – is a process to deal efficiently with a collection of narrow scope amendments to IFRSs and focus on areas of inconsistency in IFRSs or where clarification of wording is required. The amendments are clarifying or correcting in nature, and do not propose new principles or changes to existing ones. The issues included in this cycle will not have a material impact on the Council's financial statements:
  - IFRS 1: Meaning of effective IFRSs,
  - IFRS 3: Scope exceptions for joint ventures,
  - IFRS13: Scope of paragraph 52 (portfolio exception),
  - IAS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

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

In applying the accounting policies, set out from page 73, the Council has had to make certain judgements about complex

transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the Council putting in extensive plans to deal with the initial grant reductions in the preceding years and being able to balance the 2014/15 budget, there is an unprecedented grant reduction in 2015/16 which all councils will need to deliver against. At this stage, there is the necessity for the Council to put in place transformational change to future service delivery. The Council is also mindful of the additional second budget due on the 8 July 2015, which is likely to have a further impact on the Council's funding as the new government implements commitments outlined in its election campaign. The impact of grant reductions and pressures arising from increased population and the economic growth forecasts present the Council with challenging circumstances. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies at this time.
- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further five transferring status during 2014/15, and some are expected to convert in future years. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See table below for analysis of the type of schools in Peterborough and its surrounding area.



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

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

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2015 of £9.5m) which are classed as either voluntary aided or voluntary controlled schools where it was not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2015. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an

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

- The Council participates in the Local Authority Mortgage Scheme (LAMS). In 2011/12 £1m was deposited with Lloyds and a further £1m was deposited during 2013/14. These deposits are treated as capital expenditure as a loan to a third party. This treatment has been determined by reference to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The Council has also obtained legal advice from its own legal advisors and received Legal Counsel's advice via Capita, its Treasury Advisor, as to the validity of the accounting treatment. The Council recognises there are alternative accounting treatments and will keep its accounting treatment of LAMS under review to ensure that if statute or the CIPFA Code of Practice changes, its accounting treatment of the scheme will comply with those changes.
- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at fair value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 48.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties

earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 19, page 45.

- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments. Further information on lease arrangements in place can be found in Notes 26 and 27, pages 50 - 51.
- The Council has four arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons and when consolidated in total, the four entities are not material.
  - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 13.
  - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be

immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.

- Blue Sky Peterborough (BSP) – in 2011/12 the Council established an Energy Services Company, BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.
- Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

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

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

#### 45 Prior Period Adjustment

##### Restated School Asset Balances

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

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

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

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

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

Prior Period Adjustments	2013/14 Statements	Schools Adjustment	School Private Funds	Impairment Current Debtors	Disposal of Subsidiary Assets	Other Adjustments	2013/14 Restated
	£000	£000	£000	£000	£000	£000	£000
<b>Cost of Services</b>	179,220	349	(10)	(984)	-	(28)	178,547
Other Operating Income & Expenditure	14,066	-	-	-	(11,799)	-	2,267
Financing & Investment Income & Expenditure	21,100	-	-	984	11,799	(58)	33,825
Taxation & Non-specific Grant Income	(169,440)	(414)	-	-	-	86	(169,768)
<b>(Surplus)/Deficit on Provision of Services</b>	44,946	(65)	(10)	-	-	-	44,871
Surplus on Revaluation of Non-Current Assets	(11,454)	(2,389)	-	-	-	-	(13,843)
Actuarial gains/losses on Pension Assets/Liabilities	(2,740)	-	-	-	-	-	(2,740)
<b>Other Comprehensive Income &amp; Expenditure</b>	(14,194)	(2,389)	-	-	-	-	(16,583)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>30,752</b>	<b>(2,454)</b>	<b>(10)</b>	-	-	-	<b>28,288</b>
<b>Balance Sheet – 31/3/2014</b>							
Long Term Assets	559,100	19,552	-	-	-	-	578,652
Current Assets	59,106	-	472	-	-	-	59,578
Current Liabilities	(142,503)	-	-	-	-	-	(142,503)
Long Term Liabilities	(477,802)	-	-	-	-	-	(477,802)
<b>Net Assets</b>	(2,099)	19,552	472	-	-	-	17,925
Usable Reserves	(35,418)	-	(472)	-	-	-	(35,890)
Unusable Reserves	37,517	(19,552)	-	-	-	-	17,965
<b>Total Reserves</b>	<b>2,099</b>	<b>(19,552)</b>	<b>(472)</b>	-	-	-	<b>(17,925)</b>
<b>Balance Sheet – 1/4/2013</b>							
Long Term Assets	536,752	17,100	-	-	-	-	553,852
Current Assets	47,731	-	460	-	-	-	48,191
Current Liabilities	(127,271)	-	-	-	-	-	(127,271)
Long Term Liabilities	(428,559)	-	-	-	-	-	(428,559)
<b>Net Assets</b>	28,653	17,100	460	-	-	-	46,213
Usable Reserves	(29,041)	(3)	(460)	-	-	-	(29,504)
Unusable Reserves	388	(17,097)	-	-	-	-	(16,709)
<b>Total Reserves</b>	<b>(28,653)</b>	<b>(17,100)</b>	<b>(460)</b>	-	-	-	<b>(46,213)</b>

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

The Corporate Director: Resources authorises these accounts to be issued on 21 September 2015.

# The Collection Fund and Notes

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

## 1 Collection Fund Overview

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

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

## 2 Calculation of Council Tax Base

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

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

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

## 3 Non-Domestic Rates

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

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

## 4 Council Precept

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

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



## 5 Provision for Appeals

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

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

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

# Statement of Accounting Policies

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## General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## Acquisitions and Discontinued Operations

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

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

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

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

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Employee Benefits**

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses, for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of

leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-employment Benefits

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

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

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and equally the Adult Social Care and Public Health for the NHS scheme.

#### *The Local Government Pension Scheme*

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

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the

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

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

#### *Discretionary Benefits*

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

#### **Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

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

#### **Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes

to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For the three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from

or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the

loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any

net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and / or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

#### **Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

#### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:



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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **Heritage Assets**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's

accounting policies on Property, Plant, and Equipment. However the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. And as heritage assets held have indeterminate lives and a high residual value; the Council does not consider it appropriate to charge depreciation for the assets.

### **Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that

the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according

to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

#### The Council as Lessee

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present

value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses and therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life

of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

#### Council as Lessor

##### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future

financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

#### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on continuing services.

#### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure - depreciated historical cost. These assets, which include roads, bridges and streetlights, are classed as inalienable assets, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use. The balance in the Balance Sheet includes a lump sum which transferred to the Authority when Peterborough City Council

was formed – it is not broken down on an asset by asset basis. Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance – these have been recorded in the Council's fixed asset register on a project basis rather than by asset, meaning additions/enhancements may relate to a number of infrastructure assets. The infrastructure balance has been reduced annually by depreciation, in line with the Council's depreciation policy as noted on page 86

- community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (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 five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

#### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income

and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Assets Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same

line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

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

- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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

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

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

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

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

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

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

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

The Council is required to participate in the Carbon Reduction Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the



Council is recognised and reported in the costs of the Councils services and is apportioned to services on the basis of energy consumption.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

#### Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance

in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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

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

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

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## Glossary

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

*Accumulating Compensated Absences Adjustment Account* – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

*Amortisation* – The reduction in the useful economic life of a long term intangible asset, whether arising from time or obsolescence through technological or other changes.

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

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

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

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

revenue balances to reduce its budget and thus its call on the Collection Fund.

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

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

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

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

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

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

*Collection Fund* - A statutory fund in which a Council records transactions for Council Tax, Non-Domestic Rates and residual Community Charges.

*Community Assets* - Assets that the local Council intends to hold in perpetuity, that have no determinable useful life, and that may

have restrictions on their disposal. Examples of community assets are parks and open spaces.

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

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

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

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

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

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

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

*Dedicated Schools Grant (DSG)* – Grant received from Department for Education to fund schools related expenditure.

*Deferred Capital Receipts Reserve* - Holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

*Depreciation* - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term asset,

whether arising from use, time or obsolescence through technological or other changes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Heritage Assets* – A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

*IAS 19* - This is an International Accounting Standard now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in the financial accounts. It is based on the principle of recognising pension costs in the

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

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

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

*Investment Properties* – Those properties that are used solely to earn rentals and/or for capital appreciation.

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

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

*Minimum Lease Payments* – Those lease payments that the Council is, or can be, required to make.

*Minimum Revenue Provision (MRP)* - This is the minimum amount which must be charged to a local Council's Comprehensive

Income and Expenditure Statement and set aside to repay debt. It is calculated by charging 4% on all borrowing up to the 1 April 2007 and for any new supported borrowing. For the remaining unsupported borrowing, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

*Movement in Reserves Statement* – This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

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

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

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

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

*Reserves* - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves

include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

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

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

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

*Supported Borrowing* – The amount of borrowing assumed by Government in the calculation of their grant payment.

*Usable Reserves* – Those reserves that can be applied to fund expenditure or reduce local taxation.

*Unusable Reserves* – Those reserves that absorb the timing differences arising from different accounting arrangements.

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

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

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PETERBOROUGH



CITY COUNCIL

# Annual Governance

## Statement – 2014/15



# Annual Governance Statement

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## 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 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 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.

The 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 the 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 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 the 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 2014, 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. It 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 Council's Governance Framework which has been in place for the year ended 31 March 2015 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 Council, on outcomes for the community and creating and implementing a vision for the local area. Through various forums, the Council has developed an overarching vision for the City and a set of strategic priorities and core values to assist in achieving this.

#### The Vision

Members, working with officers, and its partners – whether public, private, voluntary or community – have developed a clear vision of their purpose and intended outcomes for citizens and service users. The Peterborough Sustainable Community Strategy (SCS) 2008 –

2021 sets out the 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.*

#### Strategic Priorities

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. Providing value for money underpins the four priorities. The four priorities are:

- *Creating the UK's Environment Capital*
- *Creating Strong and Supportive Communities*
- *Delivering Substantial and Truly Sustainable Growth*
- *Creating Opportunities – Tackling Equalities*

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;
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the carbon footprint;
- Supporting Peterborough's Culture Trust, Vivacity, to continue to deliver arts and culture in the city;
- Keeping our communities safe and cohesive; and
- To achieve the best health and wellbeing for the city.

#### Core Values

Five core values have been established to guide the way we treat our customers, partners and each other, these being:

- *Expertise:* We recognise and value the differences, skills, knowledge and experience of all our colleagues;
- *Trust:* We are honest and open in all our dealings and deliver on our promises;
- *Initiative:* We are proactive and use our creativity to identify and resolve problems;
- *Customer focussed:* We understand and aim to meet our customers diverse needs, treating them fairly and with respect; and
- *Work together / one team:* We work with colleagues and partners to deliver the best services possible.

#### Reviewing Delivery against our Vision

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 cascaded 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 these that is understood and agreed by all partners. These partnerships range from strategic to operational.

A Medium Term Financial Strategy (MTFS) has been established to ensure that resources are aligned to priorities and approved annually, the latest being in March 2015. The budget process incorporates consideration of the allocation of resources against corporate aims, an identification of any financial risks together with allowing for an annual strategic review to release resources for use elsewhere subject to appropriate efficiency improvements being in place. Monitoring reports are submitted to CMT and Cabinet and issues are referred to other 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. A revised complaints scheme has been piloted in 2014 and will be implemented in 2015. 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 11 Members: - Leader, 8 Cabinet Members and 2 Cabinet Advisors. 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 and Regulatory 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, they 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.
- An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. It also incorporates Member conduct, replacing the previous Standards Committee.
- 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 legislation during the year was integrated into the ongoing management of the Council.
- The Council ensures that effective management arrangements are in place at the top of the organisation. A revised structure has been introduced to reflect the new commissioning role to deliver services.
- Key officers within the Council are:
  - The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs CMT;
  - The Corporate Director (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 Director of Governance, 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. Corporate Directors meet their respective Cabinet Members on a regular basis. In addition, there are a number 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 Director of Governance, after consultation with the Chief Executive and Corporate Director (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. No reports were produced in 2014 / 2015.
- 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 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. Fraud policies are scheduled for review during 2015 to reflect the new CIPFA Code of Practice on “*Managing the Risk of Fraud and Corruption*”.
- The Council has an Audit Committee which follows best practice set out within CIPFA guidance. Its purpose is to provide independent assurance of the adequacy of the internal control environment and to oversee the financial reporting process. Its membership of 9 Councillors also has the responsibility for the standards agenda so that it has the full remit of responsibilities in respect of governance. For standards related issues, the Council has also appointed an ‘Independent Person’ to oversee these.
- 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 in line with best practice. The Internal Audit plan is based on the high risks reported within the risk registers together with key service changes being made. The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit works with services to make recommendations around improvements to the control environment. Reporting lines are within the Resources Directorate, with reporting lines to the Service Director (Financial Services), Corporate Director (Resources) as well as access to the Chief Executive, Director of Governance 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, Corporate Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. The Council undertook a review of its risk management approach in 2012 and one again in March 2015. Regular updates are provided to Audit Committee on its delivery and the risk appetite of the Council.

### ***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.
- 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. Examples include arrangements with Rutland; Fenland; and Cambridge City and South Cambridgeshire.

### ***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 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, outsourced contracts and service vehicles. These are:
  - Greater Peterborough Partnership – our local strategic partner;
  - Peterborough Culture and Leisure Trust (Vivacity);
  - Opportunity Peterborough;
  - Amey - An outsourced partnership for the provision of street scene activities previously undertaken by City Services;
  - Skanska – Provision of Highways Maintenance service;
  - SERCO – Provision of Council back office facilities, including revenues and benefits and ICT services;
  - Health and Well Being Board – established to provide a strategic leadership forum focused on securing and improving the health and well-being of Peterborough residents;
  - Peterborough Investment Partnership – a Joint Venture partnership to support growth and development of key sites; and
  - Blue Sky Peterborough – the Council's energy services company.

## 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.

In year review mechanisms, including 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 includes 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, Corporate Director (Resources), Leader of the Council and the Chair of the 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 (2013)*".
- Following the transfer of housing benefit investigations to the Single Fraud Investigation Service within the Department for Work and Pensions, the remaining investigations service transferred into Internal Audit in December 2014. Their remit is to undertake investigations into corporate fraud, corporate complaints and council tax as well as anomalies generated by the National Fraud Initiative.
- 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 were 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, an Annual Audit Letter is issued to the Council. The last Annual Audit Letter was issued for the financial year 2013 / 2014, 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. From these works it was considered that the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives.
- Assurance from Corporate Directors and their management teams on the key elements of the control framework that 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.

2012/2013 Governance Issues: Progress to Date	
Issue	Progress
<p><b>Information Governance</b></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: Director of Governance</p>	<p>A separate Information Governance Working Group oversees the development and compliance across the Council.</p> <p>Strong processes in place for managing data security have been adopted and the any breaches are reported and reviewed.</p> <p>The Council has embraced the Transparency Code and published data as required.</p>
<p><b>Commissioning and Partnerships</b></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> <p>Lead Officer: Chief Executive</p>	<p>During 2013 a new senior management structure was implemented to tackle the ever developing commissioning role and is now embedded and working effectively.</p>

<b>2013/2014 Governance Issues: Progress to Date</b>	
<b>Issue</b>	<b>Progress</b>
<p><b>ORGANISATIONAL CHANGE</b> Embedding the new management structure and ensuring that appropriate controls and segregations are maintained. (This will also encompass the Commissioning and Partnerships from the previous year).</p> <p>Lead Officer: Chief Executive</p>	<p>Revised structures have been adopted and implemented smoothly.</p>
<p><b>FINANCIAL AFFAIRS</b> Ongoing delivery of the financial strategy and mechanisms to ensure that the necessary financial savings are achieved and more efficient processes are introduced at reduced cost.</p> <p>Lead Officer: Corporate Director (Resources)</p>	<p>Ongoing austerity measures have led to significant changes in the way services are provided with large scale savings required to offset budget reductions. Nevertheless, a balanced budget has been produced each year.</p>
<p><b>PURCHASING</b> Procurement reform arising from new EU Procurement Directives.</p> <p>Lead Officer: Corporate Director (Resources)</p>	<p>Changes have been incorporated into our procurement procedures and processes.</p>
<p><b>IT INFRASTRUCTURE</b> Continued compliance with the Public Services Network code of connection requirements.</p> <p>Lead Officer: Corporate Director (Resources)</p>	<p>SERCO deliver ongoing compliance on the Councils behalf. Regular reviews are undertaken to ensure this remains in place.</p>
<p><b>LEGISLATIVE CHANGE</b> Responding to the impact of further Welfare Reform changes.</p> <p>Lead Officer: Corporate Director (Resources)</p>	<p>Ongoing requirement to meet the legislative changes. Separate reports have been produced for committees setting out the impact.</p>

**2013/2014 Governance Issues: Progress to Date**

<b>Issue</b>	<b>Progress</b>
<p><b>INFORMATION SECURITY AND DATA GOVERNANCE</b>                      The Council handles a significant volume of data and information relating to residents, customers and service users. There are governance / security arrangements in place to help safeguard data but these can be vulnerable. To strengthen existing governance arrangements a programme of mandatory information security training for all existing and future core staff, more stringent controls over fax machines, methods of postage and email groupings. (This incorporates elements of the issues previously identified and rolling forward).</p> <p>Lead Officer: Director of Governance</p>	<p>This is delivered through the Information Governance Working Group and regular briefings are produced and circulated to staff.</p>

## 2014 / 2015 Governance Issues:

Two governance issues which have rolled forward are Information Governance; and Commissioning and partnerships. These have been incorporated into the following areas which will need to be resolved during the year:

New Governance Issue	
Issue	Lead Officer
<p><b>Counter Fraud Arrangements</b></p> <p>In December 2014, responsibility for Housing Benefit fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Works and Pensions and fraud investigation resources have since been realigned. Following these changes our approach to counter-fraud should be aligned with the new CIPFA Code of Practice on “Managing the Risk of Fraud and Corruption”.</p>	Corporate Director (Resources)
<p><b>Management of the Better Care Fund</b></p> <p>Planning and pooled budget arrangement with the Clinical Commissioning Groups (CCGs) known as the Better Care Fund (BCF). This plan sets out the Council's and CCGs' vision to deliver integrated health and social care systems to reduce demand on acute hospital and care home provision in favour of a sustainable integrated neighbourhood health and social care system.</p>	Corporate Director (People and Communities)
<p><b>Austerity Measures</b></p> <p>Continuing budget pressures need to be effectively managed in order to deliver a balanced budget while maintaining an effective delivery of services to the public.</p>	Corporate Director (Resources)
<p><b>Review of Ward Boundaries</b></p> <p>The Council has been subject to review by the Electoral Commission and new arrangements will be in place for 2016. Effective management is required to ensure that the processes deliver and inform the public of the changes and how it impacts on them.</p>	Director of Governance
<p><b>Service Delivery Models</b></p> <p>As part of the ongoing delivery of savings and innovative ways of service delivery, appropriate governance arrangements are required to prevent any conflicts of interests as staff undertake more roles and have dual reporting commitments.</p>	Corporate Director (Resources)

## 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.

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Signed:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor Holdich, Leader of the Council

Date:

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM NO. 5</b>
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
Contact Officer(s):	Kevin Dawson, Head of Resilience	Tel. 453464

## RISK MANAGEMENT AND BUSINESS CONTINUITY

R E C O M M E N D A T I O N S	
<b>FROM :</b> Kevin Dawson, Head of Resilience	<b>Deadline date :</b> 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 and 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?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. RISK MANAGEMENT REVIEW

- 4.1 The Strategic Risk Register has been reviewed by Corporate Management Team (CMT) on 12 August 2015 and the following risks have been updated:

- Impact of social demographic change – the level of risk has increased to reflect the issues around the recruitment of alternatively qualified staff to support social workers.
- Information governance – the level of risk has reduced due to new processes being introduced to assist the council's management of data on a day to day basis.
- All remaining corporate risks have been assessed and are deemed to have not changed since the previous review.

- 4.2 Work continues on assessing and challenging current Departmental Risk Registers to ensure potential risks are identified and adequately managed. This has been carried out through meetings of the Risk Group which last met on 24 June 2015. Revised Departmental Risk Registers continue to be received from all Departments.

### 5. BUSINESS CONTINUITY REVIEW

- 5.1 The Corporate Business Continuity Policy and Plan were both reviewed and revised in line with revised international standards and approved by CMT on 6 January 2015 as part of an

ongoing annual review process. The latest version of the Corporate Plan is now available on the PCC Intranet system.

- 5.2 The Corporate Business Continuity Plan has since undergone further revision to reflect the content of the completed Service Business Impact Assessment (BIA) and Service Business Continuity Plans. I am pleased to report that the Resilience Service has received a 100% return of both BIA's and Business Continuity Plans from individual services for the period covering 2015/16.

## **6. KEY ONGOING ISSUES FOR 2015/16**

- Quarterly review of Strategic (corporate) risk register by CMT;
- Coordination of Strategic and Departmental risk registers;
- Continuation of review and revision of Service BC Plans;
- Regular risk "conversations" within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans.

## **7. ANTICIPATED OUTCOMES**

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

## **8. REASONS FOR RECOMMENDATIONS**

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

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 None.

## **10. IMPLICATIONS**

- 10.1 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.

## **11. BACKGROUND DOCUMENTS**

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

- 11.1 Peterborough City Council Risk Management and Business Continuity Policies 2015.

## **12. APPENDICES**

- 12.1 Appendix 1 - Strategic Risk Register
- 12.2 Appendix 2 - Risk Management Policy



Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	Name of risk	Brief description of risk event	Threats & opportunities arising	A Educ B Cult C Safg D Com E Envt F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		If new risk, score on assumption no controls are in place		Change in impact, likelihood, objective etc(ALT return to use bullet points etc)	To measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)	Further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)	Officer(s) responsible	Target date	All registers reviewed at least 6 monthly unless red status specified, 3 monthly review then required.	Any other comments etc
185	1 Failure to plan for/realise implications of Growth Agenda	The city has an ambitious growth agenda and growth supports the Council's income through business rate growth and New Homes Bonus. However, there is also a significant cost to growth through the need to upgrade and provide new infrastructure. Funding for infrastructure is increasingly channeled through the Local Enterprise Partnership There is a need to maintain a focus and capacity to deliver growth.	Inability to fulfil statutory obligations eg provision of roads and schools. Budget implications.	E F	2	4	8	8	◀▶	Currently unable to accurately predict future levels of business rate income.	Robust viability discussions with developers. Focused Section 106 team and CIL introduced in April 2015 and review of Local Plan. Monitoring residential land supply.	Development of system to forecast future levels of business rates. Co-ordinated approach between the Council and Opportunity Peterborough to influence LEP investment decisions. Joint Venture company, Peterborough Investment Partnership, now established to deliver growth projects. Long term capital investment plan for new infrastructure.	Simon Machen		Dec-15	
2	2 Impact of social demographic change	Insufficient capacity to support increased demand on specialist services as a result of ageing population, increased birth rate, migration and disability. Services include foster carers, adoption placements, special school places, residential nursing places and domiciliary care capacity.	Significant additional financial costs to support need within the independent sector typically in and around the city.	D	4	5	20	12	▲		Ongoing monitoring and review. Financial impact evaluation. Use of agency staff and improved recruitment materials	1)Finalisation and implementation of Prevention, Early Help and Demand Management Strategy including workforce reform, development of community capacity and resilience and Customer Experience Programme. 2)SEN strategy. Adult Social Care enablement and prevention models to be implemented. CWD work programme includes a prevention work stream. 3)Recruit alternatively qualified staff to support social workers, improved retention package	Wendi Ogle-Welbourn	Ongoing	Sep-15	
3	3 School Places	Failure to provide our legal requirement for every child of statutory school age to access a place and within a 'reasonable' distance from their home (less than 2 miles for 4 to 8 year olds and up to 3 miles for 9 to 16 year olds) Impact of further inward migration as EU borders open up increasing demand. Cut in Government funding for school places	1) Significant additional costs incurred in terms of transport, 2) impact on schools in terms of attendance, less engagement from parents and increased churn of pupils when places become available nearer to home - all having a significant impact on outcomes. 3) Potential legal action from parents for failure to meet legal requirements	A	5	4	20	20	◀▶	Latest new intake allocations (reception and year 7) suggest we will have less than 1% of school places surplus. Shortage of places in existing reception, year 1, y10 and y11. Government have announced no basic need funding - £4m gap in next 2 F/Y	1) Updated School Organisation plan has focussed where capital resources need to be targeted. 2) Sufficient resources identified in MTFP to support known requirements in the next 3 years if forecasts remain accurate 3) Quality of relationship with schools means school have overadmitted to support the LA	1) Keep under review. 2) Local and national lobbying 3) Continue to review options around reducing costs including modular technology, use of existing buildings and procurement savings 4) Plans for emergency places being developed including pulling forward schemes and additional mobiles 5) Continue to monitor in year admissions and trends around numbers leaving the city.	Jon Lewis	Ongoing	Sep-15	Review in line with allocation rounds (Secondary end of March, Primary mid April)

4	Corporate manslaughter/ health and safety incident	Failure of the health and safety system to prevent a death or serious injury (that could have been preventable).	Impact on the organisation and individuals concerned, potential for financial loss, litigation etc.	C	2	4	8	8	◀▶	Robust arrangements and training in place including regular internal auditing of policies and procedures.	1) Regular review of H&S Policy. 2) Focused auditing by dedicated team. 3) Training of senior management on H&S duties and responsibilities to be introduced. There is a full review taking place of all externalised contracts ensuring the appropriate contractual obligations are in place for each provider and that where our own properties are occupied the appropriate testing and monitoring schedules are in place.	Corporate Management Team	Ongoing	Dec-15
5	Crime and ASB Reduction /Cohesion	Increase in several crime types including ASB, and an increase in community tensions as a result of broader social changes, financial pressures and national/international events.	Increased costs across the public sector; increased fear of crime; reduced confidence in public sector; community tensions and conflict.	D	2	4	8	8	◀▶	1) Community and Safety model in place including daily risk management profiling. 2) Community and Safety model co-locates staff from the council, Police, Fire service and Cross Keys Homes, all sharing data and intelligence. 3) Strategic Cohesion Strategy in place, supported by Cohesion Board, Tension Monitoring Group and Hate Crime Task and Finish Group. 4) Crime and community safety performance is scrutinised bi-monthly in detail at the Safer Peterborough Partnership.	1) Maintain strong focus on daily risk management and longer term performance monitoring. 2) Employ Community Connectors from higher risk communities to act as a bridge between communities and the public sector. 3) Continue to develop the Community and Safety model incorporating more partners where relevant.	Adrian Chapman	Sep-15	Sep-15
186 6	Safeguarding	Failure of safeguarding functions to prevent a child or vulnerable adult's being placed at significant risk of harm.	Significant risk to council both in terms of potential intervention from the government and media attention.	C	3	5	15	15	◀▶	1) Implementation and continuing development of the Multi-Agency Safeguarding Hub 2) Recruitment of permanent managers and social workers in ASC and CSC 3) Accountability to Achieving Outstanding Board, CMT & Scrutiny 4) Performance management and Quality Assurance function strengthened 5) New Joint Commissioning board 6) Workforce Development training programme. 7) Development of Safeguarding Adults Board chaired by chair of PSCB resulting in robust multi-agency procedures in place for both Boards, with supporting guidelines and protocols being developed.	1) Sustain current improvement journey and adhere to Achieving Outstanding improvement plan; 2) Permanent leadership team recruited to/in place - recruitment and retention package for social workers under review; 3) Continuing focus on high priority areas including domestic violence and child sexual exploitation; 4) Practice development emphasising continuing importance of evidencing management oversight and journey of child in work with families Adults: 1) Care Act brings significant changes to the role of the SAB and the nature of enquiries to be undertaken. Revised procedures under development 2) Strengthened board arrangements 3) Consultant practitioners in frontline teams	Wendi Ogle-Welbourn	Ongoing	Sep-15

7	Information governance	The council's management of information data on a day to day basis	Lack of controls could subject the council to significant risk from litigation, financial penalties and loss of reputation	B C D	3	4	12	16	▼	New risk	1) Strategic Governance Board oversees and monitors the correct handling of information data 2) Dedicated team set up to oversee correct handling of information data. 3) Information Governance Group set up to monitor and introduce measures to aid compliance 4) Cross PCC Information Risk Group set up 5) Box secure file sharing introduced and being embedded	1) New polices introduced re-Information governance, Data Protection, FOI and handling emails. 2) Mandatory training and awareness sessions held for all staff 3) Corporate Induction raises awareness to all new staff. 4) Comprehensive work plan being driven by dedicated group. 5) Information governance risk registers being finalised with individual departments 6) Information sharing group to be created	Kim Sawyer	Ongoing and quarterly review by CMT (data security). Oversight by SGB.	Dec-15
187 8	Financial Position	The Council has plans to deliver £25m of savings in 2015-16. Risk that some items may not be deliverable, or that additional budget pressures emerge (e.g. due to risks 1 and 3 above, or prolonged economic downturn). Also the changes to council tax benefit and business rates place risk of increased cost with the council Over the medium term, the MTFS outlines deficits in future years that will need to be tackled. There may also be an emergency budget from an incoming government	Council cannot overspend, so savings will have to be found elsewhere in the councils budget	A B C D E F	3	5	15	15	◀▶		Plans for implementation of savings proposals developed during development of medium term financial strategy. RAG status of plans will be monitored by CMT. Budget position will be monitored through monthly budgetary control process in year. Financial papers published and in public domain prior to approval to enable full consultation	See current controls.	John Harrison	Ongoing monthly monitoring MTFS refresh to start post election	Sep-15
9	NHS funding and organisation	Challenged health economy. Risk to hospital services in the light of continuing financial crisis facing PSFHT.	Lack of appropriate investment in key services and consequential pressures on both adult and children social care budgets. Lack of hospital discharge provision and hospital beds. Insufficient investment in mental health services for adults and children.	A C D	3	5	15	15	◀▶		Regular meetings set up with CCG and Health Providers - PSFHT, CSS, UCP and CPFT; alongside Cambridgeshire and Peterborough whole system transformation group.	BCF plan agreed and implementation plans in place. Negotiating additional capacity from CCG for CAMHs.	Wendi Ogle-Welbourn	Ongoing	Sep-15
10	Strategic Partnerships (Amey, Serco, Skanska, Opportunity Peterborough and Vivacity) fail to deliver as per expectations, prejudicing the Authority's ability to secure the desired outcomes on behalf of citizens	The Council has vested delivery of a number of key services in Strategic Partners; there are reputational and financial risks to PCC if delivery is not at either the price or to the quality envisaged at the time of the contracts being entered into.	PCC needs to ensure firm governance arrangements (see separate entry) managed by the Executive Director Resources and the Director of Growth and Regeneration - that allows for on-going debate about delivery and priorities. Failure to take a whole-systems approach to the management of the Strategic Partnerships will increase the risk of underperformance and financial and reputational costs to the Council.	D B C	2	3	6	6	◀▶	New risk	There are strategic partnership boards in place for Amey, Skanska and Serco (and boards for Opportunity Peterborough and Vivacity)	1) Day-to-day relationships and issues are managed between the Executive Director Resources & the Director of Growth and Regeneration (with their respective teams) and the 5 Partners; 2) Strategic oversight is provided by the existing Strategic Partnership Boards for Amey, Opportunity Peterborough, Skanska and Serco 3) Reporting is also undertaken to the relevant scrutiny committees	John Harrison/Simon Machen	Ongoing	Sep-15

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# Risk Management Policy

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Peterborough City Council

**Purpose:** To provide clear evidence of the effective operation of a Risk Management Policy and the organisations role in implementing the process.

# RISK MANAGEMENT POLICY

## Document Control

<b>Title:</b>	Peterborough City Council Risk Management Policy			
<b>Synopsis:</b>	This document outlines the effective operation of a Risk Management Policy and the organisations implementation of the process.			
<b>Status:</b>	Final v4.8			
<b>Date:</b>	September 2015			
<b>Document Owner(s):</b>	Corporate Management Team (CMT)			
<b>Author(s):</b>	Kevin Dawson			
<b>Change Control:</b>	<b>Version ID</b>	<b>Date of Issue</b>	<b>Change Description</b>	<b>Author</b>
	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
	0.5	20 May 2014	Revisions following Zurich review	Kevin Dawson
	0.6	30 Dec 2014	Revisions to incorporate PCC annual statement of risk appetite	Kevin Dawson
	0.7	31 March 2015	Risk Appetite statement added as Appendix D.	Kevin Dawson
	0.8	2 Sept 2015	Risk appetite statement following review of Corporate Risk Register	Kevin Dawson

<b>Version ID</b>	<b>Date of Submission</b>	<b>Submitted to</b>	<b>Approval and Sign Off</b>
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
3.0	20 May 2014	CMT for approval	27 May 2014 CMT members
4.0	31 March 2015	CMT for approval	31 <sup>st</sup> March 2015 CMT Members

## Introduction

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 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 to assess performance in terms of its compliance with the organisations risk appetite.

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:

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



## RISK MANAGEMENT POLICY

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

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

## **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 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 (please refer to Appendix D). 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 and is applied at all times. The corporate risk appetite is set by CMT by the approval of the council's

## RISK MANAGEMENT POLICY

annual statement of risk appetite which confirms the appropriate level of risk that the Council is willing to take in order to achieve its desired aims and objectives.

### ***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.

### **Areas for Review and Development**

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

## **Appendices**

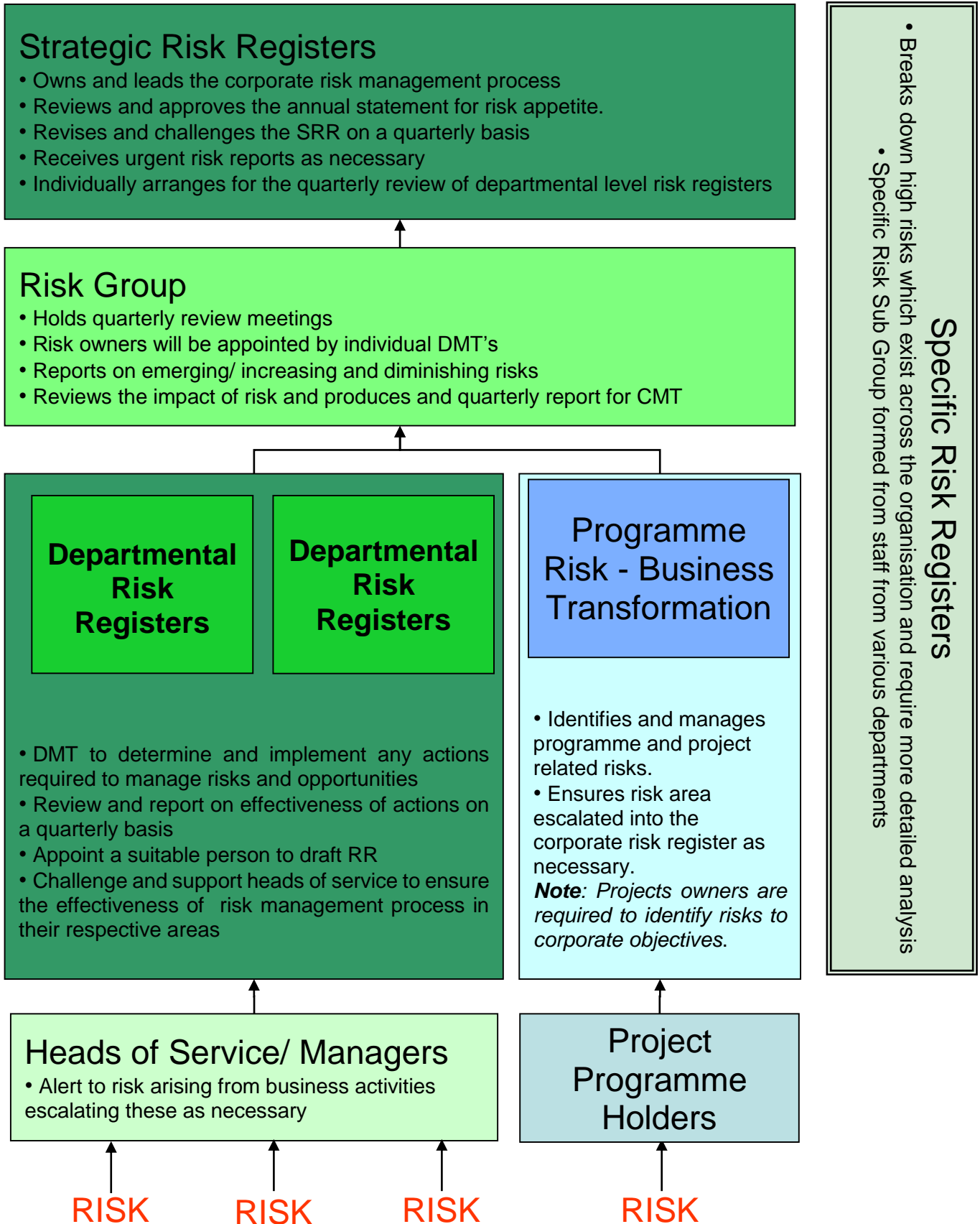
Appendix A: Risk Management Framework

Appendix B: Risk Management Process

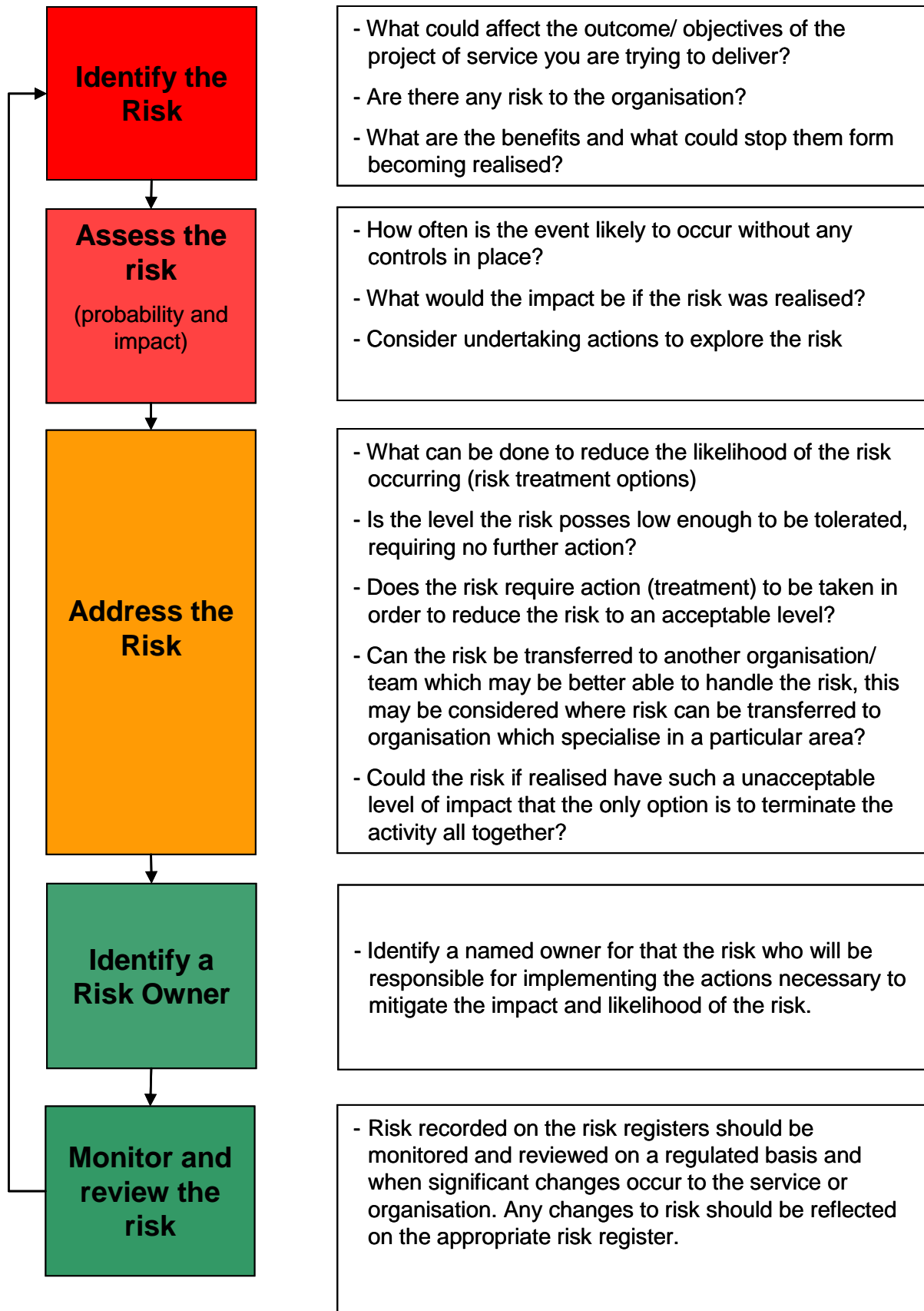
Appendix C: Example Risk Register and Risk Matrix

Appendix D: Risk Appetite Statement

## Appendix A: Risk Management Framework



## Appendix B: Risk Management Process



## 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
	name of risk	brief description of risk event	threats & opportunities arising	A Educ B Cult C Safg D Com E Eenvt F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		if new risk, score on assumption no controls are in place		change in impact, likelihood, objective etc (ALT return to use bullet points etc)	to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)	further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)	officer(s) responsible	target date	all registers reviewed at least 3 months unless specified	any other comments etc
	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	0	◀▶		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				

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### Risk Matrix

Likelihood	5	5	10	15	20	25
	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

### Risk Categories

Review 12 months
Review 6 months
Review 3 months

- 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

<b>1: Negligible</b>		<b>Little likelihood of risk occurring except in exceptional circumstances</b>
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
<b>2: Low</b>		<b>Unlikely to occur in next 10 years</b>
	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
<b>3: Moderate</b>		<b>Reasonable chance of occurring in next 5 years</b>
	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
<b>4: Significant</b>		<b>Likely to occur more than once in next 12 months</b>
	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
<b>5: Very High</b>		<b>More likely to occur than not at least once in next 12 months</b>
	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

## Appendix D: Risk Appetite Statement

### Introduction and Background

The Council's annual statement of risk appetite has been drawn up to provide management with sufficient guidance on the level of risk they are legitimately able to take. The statement aims to ensure that managers do not stifle creativity or opportunities by being too risk adverse while also ensuring that managers do not take an unacceptable level of risk which may significantly harm the organisation. The statement also aims to clearly and fully state to our stakeholders the nature and extent of the key risks the council is willing to embrace as part of the delivery of the corporate plan.

It is intended that CMT review and approve the Councils risk appetite statement on an annual basis to set the appropriate level of risk that the council is willing to take in order to achieve its desired aims and objectives.

This statement of risk appetite should be read in conjunction with the PCC Risk Management Policy available on Insite which is also reviewed at least annually. It is important to note that the risk appetite level indicates the level of risk the council is prepared to accept after mitigation actions have been taken e.g. the residual or net risk exposure during the year.

The risk appetite statement is an important aspect of managing risk at Peterborough City Council because it sets corporate boundaries for the level of risk the organisation is willing to take. It should be noted that some risks are outside of the authority's control; this is especially true for Local Government where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimise/plan for any impact

### Definition of Risk Appetite

There are numerous definitions of organisational 'risk appetite', but they all break down to how much of what sort of risk an organisation is willing to take. Risks need to be considered in terms of both opportunities and threats and are not usually confined to money - they will invariably also impact on the capability of your organisation, its performance and its reputation.

For the purposes of this document the follow definition will be used to define risk appetite:

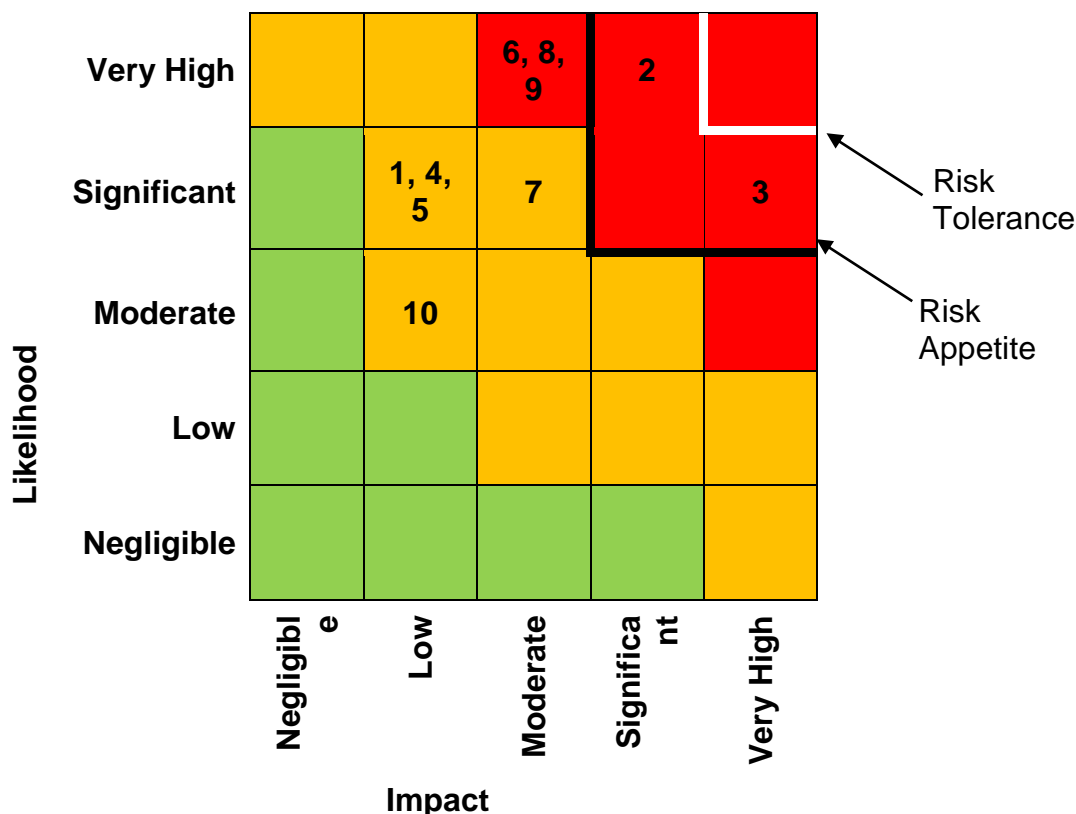
*"The amount of risk that an organisation [the council] is prepared to accept, tolerate or be exposed to at any point in time".*

Source: British Standard on Risk Management BS31100 2008.



### Risk Appetite Matrix

The following matrix shows the risk appetite and the risk tolerance for Peterborough City Council. All 10 of the risks outlined in the Strategic Risk Register have been plotted on the matrix. The thick black line represents the risk appetite and any risk below this line is deemed acceptable. The thick white line represents the risk tolerance and any risk above this line will not be tolerated. Risks that fall in between these lines are undesirable but tolerable.



### Risk Appetite Statement 2014/15

**Current Risk Appetite Classification:** Open (4) / Hungry (5)  
**Target Risk Appetite Classification:** Cautious (3) / Open (4)

*Note: Appendix A outlines the framework for classifying risk appetite and defines clearly each classification.*

- Risks that fall below the risk appetite line will be accepted by Peterborough City Council but they should still be regularly monitored and mitigated to their target exposure level.
- Risks which are assessed that fall above the risk appetite line but under the risk tolerance line are undesirable, but will be tolerated. These risks will require immediate and urgent management to reduce their risk to an acceptable level i.e. below the risk appetite line.
- Risks which fall above the risk tolerance line are unacceptable and must be immediately terminated or transfer the Council’s involvement in these risks.
- There are certain risks however which may be forced upon Peterborough City Council and therefore cannot use internal controls to manage the risk so these will have to be tolerated. An example of this would be changes in the socio/economic political environment. However, contingency plans and strategies should still be developed and introduced in a bid to lessen the impact.

## RISK MANAGEMENT POLICY

Classifications of Risk Appetite	1 Averse	2 Minimalist	3 Curious	4 Open	5 Hungry
		<i>Avoidance of risk and uncertainty is a key Organisational objective</i>	<i>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward</i>	<i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	<i>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)</i>
Category of risk	Example behaviours when taking key decisions ...				
<b>Reputation and credibility</b>	<ul style="list-style-type: none"> <li>Minimal tolerance for any decisions that could lead to scrutiny of the Government or the Department</li> </ul>	<ul style="list-style-type: none"> <li>Tolerance for risk taking limited to those events where there is no change of any significant repercussion for the Government or the Department</li> </ul>	<ul style="list-style-type: none"> <li>Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Government or the Department should there be a failure.</li> </ul>	<ul style="list-style-type: none"> <li>Appetite to take decisions with potential to expose the Government or Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure.</li> </ul>	<ul style="list-style-type: none"> <li>Appetite to take decisions that are likely to bring scrutiny of the Government or Department but where potential benefits outweigh the risks</li> </ul>
<b>Operational and policy delivery</b>	<ul style="list-style-type: none"> <li>Defensive approach to objectives – aim to maintain or protect, rather than create or innovate.</li> <li>Priority for tight management controls and oversight with limited devolved decision making authority.</li> <li>General avoidance of systems/ technology developments</li> </ul>	<ul style="list-style-type: none"> <li>Innovations always avoided unless essential.</li> <li>Decision making authority held by senior management.</li> <li>Only essential systems/ technology developments to protect current operations.</li> </ul>	<ul style="list-style-type: none"> <li>Tendency to stick to the status quo, innovations generally avoided unless necessary.</li> <li>Decision making authority generally held by senior management.</li> <li>Systems/ technology developments limited to protection of current operations</li> </ul>	<ul style="list-style-type: none"> <li>Innovation supported, with demonstration of commensurate improvements in management controls.</li> <li>Systems/technology developments considered to enable operations delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Innovation pursued-desire to 'break the mould' and challenge current working practices.</li> <li>New technologies viewed as a key enabler of operational delivery.</li> <li>High levels of devolved authority – management by trust</li> </ul>

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## RISK MANAGEMENT POLICY

				<ul style="list-style-type: none"> <li>Responsibility for non-critical decisions may be devolved.</li> </ul>	rather than tight control.
<b>Financial/VfM</b>	<ul style="list-style-type: none"> <li>Avoidance of financial loss is a key objective</li> <li>Only willing to accept the low cost option</li> <li>Resources withdrawn from non-essential activities</li> </ul>	<ul style="list-style-type: none"> <li>Only prepared to accept the possibility of very limited financial loss if essential.</li> <li>VfM is the primary concern.</li> </ul>	<ul style="list-style-type: none"> <li>Prepared to accept the possibility of some limited financial loss.</li> <li>VfM still the primary concern but willing to also consider the benefits.</li> <li>Resources generally restricted to core operational targets.</li> </ul>	<ul style="list-style-type: none"> <li>Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level.</li> <li>Value and benefits considered (not just cheapest price).</li> <li>Resources allocated in order to capitalise on potential opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place).</li> <li>Resources allocated without firm guarantee of return – ‘investment capital’ type approach.</li> </ul>
<b>Compliance – legal/ regulatory</b>	<ul style="list-style-type: none"> <li>Avoid anything which could be challenged, even unsuccessfully.</li> <li>Play safe.</li> </ul>	<ul style="list-style-type: none"> <li>Want to be very sure we would win any challenge.</li> </ul>	<ul style="list-style-type: none"> <li>Limited tolerance for sticking our neck out.</li> </ul>	<ul style="list-style-type: none"> <li>Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.</li> </ul>	<ul style="list-style-type: none"> <li>Chances of losing are high and consequences are serious. But a win would be seen as a great coup.</li> </ul>

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member responsible:	Cllr David Seaton, Cabinet Member for Resources	
Committee Member responsible:	Cllr Kim Aitken, Vice Chair, Audit Committee	
Contact Officer(s):	Kim Sawyer, Director of Governance Ben Stevenson, Compliance Manager (Governance)	☎ 452 361 ☎ 452 387

## REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) REPORT

<b>RECOMMENDATIONS</b>	
<b>FROM :</b> Kim Sawyer, Director of Governance	<b>Deadline date :</b> N/A
1. Audit Committee is asked to (a) receive, consider and endorse this report on the use of RIPA for the period since 1 March 2015; (b) note the recommendations of the OSC inspection and agree a further report to Audit Committee regarding actions against the recommendations.	

### 1. ORIGIN OF REPORT

- 1.1. This report is submitted to the Committee as a scheduled report on the Council's use of the RIPA powers in accordance with the established Work Programme 2015 / 2016.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Members with an understanding of RIPA and an also overview of the Council's use of RIPA powers in the period since 1 March 2015.
- 2.2 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 Local authorities exercise criminal investigation powers for a number of reasons from fly tipping to planning enforcement to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by the Regulation of Investigatory Powers Act. The Council is only able to undertake directed surveillance, meaning that it must be for the purpose of a specific investigation or operation.
- 3.2 Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act

covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage *after* an incident does not constitute covert surveillance and therefore does not fall under RIPA.

- 3.3 RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require telecommunications and postal companies to release communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.
- 3.4 The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. The Council must obtain judicial approval for the use of such powers. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.
- 3.5 RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.

#### 4. **APPROVING INVESTIGATIONS**

- 4.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory process for authorising directed covert surveillance and the use of a 'covert human intelligence source' (CHIS) e.g. undercover agents. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.
- 4.2 In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Peterborough City Council. The first is that in order for the Council to apply for approval, the offence being investigated must meet the *crime threshold*. This means that either the offence carries a maximum punishment of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals. The second factor is that whilst the Council may authorise an application, we must also obtain judicial approval from a Justice of Peace.
- 4.3 Any investigations must be properly authorised by one of the Council's Authorising Officers in accordance with our policies and procedures. The powers contained within the Act can only be used for the purpose of preventing or detecting crime or preventing disorder where the threshold test is met.
- 4.4 The Council controls the governance of the RIPA process through the Director of Governance who reports to CMT and Audit Committee.

#### 5. **SURVEILLANCE UNDERTAKEN**

- 5.1 There have been no applications in the period of 1 March to 10 June 2015 either relating to covert surveillance or to communications data.

- 5.2 It should be noted in making the report to the committee of March 2015, we reported that there had been one application made in February 2015. It was not possible to report on the outcome of that application at the time of writing the report due to the fact that the operation had not commenced. The outcome is now updated as below.

Date of authorisation	Type of Covert Surveillance	Reason	Outcome
11 February 2015	Covert	Test purchasing of age restricted products namely tobacco	Five premises were visited and tobacco products were sold to underage individuals at two premises. The Council will take the appropriate action against those concerned.

There have been no further applications to use RIPA powers since this date.

## 6. INSPECTION

- 6.1 His Honour Norman Jones QC, Assistant Surveillance Commissioner, undertook an inspection of the Council's approach to RIPA on 9 June 2015. The Council has to undergo an inspection by the Office of the Surveillance Commissioner (OSC) on a three yearly basis.

- 6.2 As a result of the inspection, we received a report which commended much of our approach to RIPA as well as the knowledge demonstrated by Director of Governance, Compliance Manager and Head of Regulatory Services. The report recommended:

- updating our policy and procedures,
- raising awareness of RIPA throughout the council
- reducing the number of authorising officers in line with the volume of applications we make
- establishing a regular training programme

We have already begun to work on these changes to our documentation and processes to ensure we further instil and maintain best practice across the Council. It is proposed to bring a report to the next meeting of the Audit Committee to advise on progress against these recommendations.

- 6.3 On 10 June 2015, 20 council officers underwent training from an experienced external training provider to ensure that we continue to act in accordance with RIPA in both its application and approval process. We will seek to deliver annual internal refresher training to officers who may consider the using these powers to ensure that best practice is embedded in enforcement work.

## 7. CONSULTATION

- 7.1 Consultation has taken place between the following parties:
- Director of Governance; and
  - Chief Internal Auditor.

**8. ANTICIPATED OUTCOMES**

- 8.1 That the Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority through regular updates. It is also anticipated that changes to policy, processes and the impact of any guidance will be presented to the committee to ensure that it remains fully apprised on RIPA.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 Given the authority's responsible and low use of these powers, it is recommended that the committee continues to receive information on the use of RIPA only when those processes have been used.

**10. ALTERNATIVE OPTIONS CONSIDERED**

- 10.1 There are no alternative options as this is a statutory requirement.

**11. IMPLICATIONS**

- 11.1 There are no implications arising from this report which are not already addressed in the report. The Council has already established a positive profile and has been congratulated on its adherence to the legislation by the Office of Surveillance Commissioners.

**12. BACKGROUND DOCUMENTS**

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

- 12.1 Covert Surveillance and Property Interference Revised Code of Practice



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 8
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Aitken, Vice Chairman 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 A – Summary of Feedback Responses  
Appendix B – Feedback Response Report

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## AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2015 - APRIL 2016

DATE ISSUE RAISED	AGENDA ITEM / ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
29 June 2015	<p>To provide a briefing note to Members of the Audit Committee which will outline the implications of the Bourges Boulevard developments completion delay to include:</p> <ul style="list-style-type: none"> <li>• Estimated completion date for the works;</li> <li>• How the project was being financed, including which external grants had been secured; and</li> <li>• Whether the additional timescale had impacted on the cost of the scheme.</li> </ul>	Service Director Financial Services to request from the Director of Growth and Regeneration		10 August 2015
29 June 2015	To provide an update to Members of the Audit Committee outlining any implications for the Council following the pending July 2015 budget announcements.	Service Director Financial Services		6 August 2015

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## RESPONSE TO ACTION POINT

<b>AUDIT COMMITTEE</b>	
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC</b>

### STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

<b>ACTION POINT – 29 JUNE 2015</b>		
To provide a briefing note to Members of the Audit Committee which will outline the implications of the Bourges Boulevard developments completion delay to include:		
<ul style="list-style-type: none"> <li>• Estimated completion date for the works;</li> <li>• How the project was being financed, including which external grants had been secured; and</li> <li>• Whether the additional timescale had impacted on the cost of the scheme.</li> </ul>		
Contact Officer (s)	Simon Machen Corporate Director Growth and Regeneration	453475
Response:		
1	Bourges Boulevard/Crescent Bridge improvements were included as a priority in the Council's adopted Long Term Transport Strategy 2011-26 and Local Transport Plan 3 (2011-16). It was recognised that the dual carriageway represented a major barrier to movement between the city centre and the train station, and the city centre and residential areas to the east, with limited cycle and pedestrian crossings.	
1.1	As with all major transport schemes, the Council identifies and bids for potential sources of external funding to offset the need for corporate funding. Phase 1 of the Bourges Boulevard improvement scheme (the area between the train station and Queensgate) successfully secured grant funding of £2.1m through the Greater Cambridgeshire and Greater Peterborough Local Enterprise Partnership and £600k from the new Waitrose development through a S106 agreement attached to the planning consent. The scheme is an integral part of the regeneration of this part of the city centre and directly supports current proposals for the regeneration of North Westgate and improvements to Queensgate shopping centre.	
1.2	The scheme was completed on 21st July 2015, and includes two pedestrian crossings, a right turn junction out of the station and significant enhancements to public realm which complements other works in the city centre (Cowgate, Cathedral Square, Long Causeway, Wentworth Street and Bridge Street). These enhancements to public realm have been a significant contributory factor in recent investment decisions in the city centre and our low high street retail vacancy rate.	
1.3	The construction contract with Eurovia is approximately £3.86m which is within the CMDN £4.0m allocation, and the overall scheme cost (including design and supervision) is approximately £4.5m, which is within the original £4.7m budget. Where possible local supply chain has been used and the planters and railings were manufactured in Stilton by Darke's.	

1.4	The scheme has taken longer than expected due to a combination of the decision to close down the works during the lead up to Christmas, to minimise disruption to shoppers and businesses, and Anglian Water improvement and diversion works. The latter resulted in a time delay 92 days and an additional cost of £241,975, but the scheme is still within budget. It is essential that utilities are upgraded as part of any major road scheme to limit the need to undertake further works in the future.
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## RESPONSE TO ACTION POINT

<b>AUDIT COMMITTEE</b>	
<b>21 SEPTEMBER 2015</b>	<b>PUBLIC</b>

### Budget Update

<b>ACTION POINT – 29 JUNE 2015</b>	
To provide an update to Members of the Audit Committee outlining any implications following the forthcoming July 2015 budget meeting.	
Contact Officer (s)	Steven Pilsworth – Service Director Financial Services Tel: 384564
1	Response: At this stage the Chancellors budget contained little detail as to where the £20bn of spending cuts will fall. Further detail will be announced in the Spending Review in the Autumn (now confirmed as 25 <sup>th</sup> November).
1.1	No further cuts in 2015/16 have been announced (nationally £200m is being taken from the Public Health grant. A pro-rata share for the Council would mean a loss of £663k. The Government has not yet launched its consultation on how it intends to reduce the grant at Council level)
1.2	From April 2016, a new National Living Wage of £7.20 an hour for the over 25s will be introduced. This will rise to over £9 an hour by 2020. It is claimed by the Treasury that businesses will be able to fund this through the reduction in corporation tax. The impact of this through the Council's partners needs to be considered further, with the care sector in particular expressing concern over the impact. The Medium Term Financial Strategy (MTFS) included a cost for the living wage of £7.85 for 28 members of staff costing £22k. A rise to £9.00 would be an approximate impact for the Council of £30k or £8k additional cost and not until 2020.
1.3	There will be £37bn of savings, including £12 billion by 2019-20 through welfare reforms, £5 billion by 2019-20 from measures to tackle tax avoidance, etc.
1.4	Plans for the remaining savings (£20bn) will be set out in the autumn following the spending review (now confirmed as 25 <sup>th</sup> November. The impact of this is that the local government finance settlement, and hence impact on Peterborough, is unlikely to be announced until later on in December at the earliest).
	From November 2015, the standard rate of Insurance Premium Tax will be

1.5	increased from 6% to 9.5%. Estimated impact for the Council is £30k.
1.6	Announcements were made regarding public sector pay, however it should be noted that the Chancellor does not control Local Government pay terms.
1.7	Public sector pay will increase by 1% a year for 4 years from 2016-17. MTFS currently assumes 2% increase. Whilst the Chancellor does not control local government pay, if the same 1% rates were to apply to the Council, the estimated impact of this is savings from £400k to £450k each year.
1.8	As part of the forthcoming Spending Review, the government will continue to examine pay reforms and modernise the terms and conditions of public sector workers. This will include a renewed focus on reforming progression pay, and considering legislation where necessary to achieve the government's objectives.
1.9	The government will work with Local Government Pension Scheme administering authorities to ensure that authorities pool investments to significantly reduce costs, while maintaining overall investment performance.
1.10	Climate Change Levy exemption for renewable electricity to be removed. Possible impact for the Council £150k loss of income for the Energy Recovery Facility (ERF) this year, rising to £280k in a full year. Further work is required here as this only takes into account the Council energy production, rather than possible impacts on contracts where renewable energy forms part of the cost.
1.11	The age group 18-21-year-olds will not be entitled to claim housing benefit automatically, with a new "earn to learn" obligation.
1.12	The government will lower the cap on the total amount of benefits an out of work family can receive, from £26,000 to £20,000.
1.13	The benefit reductions may impact on council tax support (as benefit and tax credit income reduces, entitlement to council tax support increases).
1.14	To help ensure Local Authorities are able to protect the most vulnerable housing benefit claimants due to the new Cap amount, the government will provide £800 million of funding for Discretionary Housing Payments over the next 5 years.
1.15	From September 2017, the free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of 3 and 4 year olds.
1.16	From 2020/21 the government guarantees that all revenue raised from Vehicle excise duty (VED) in England will be allocated to a new Roads Fund and invested directly back into the strategic road network (i.e. not local authority control network).
1.17	The government intends to support towns and counties to play their part in growing the economy, offering them the opportunity to agree devolution deals, and providing local people with the levers they need to boost growth.
1.18	The government will consult on devolving powers on Sunday trading to city mayors and Local Authorities.



<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 9
<b>29 JUNE 2015</b>	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Aitken, Vice Chairman of Audit Committee	
Contact Officer(s):	Karen Dunleavy, Governance Officer	☎ 452 233

## WORK PROGRAMME

### 1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the Draft Work Programme for the following municipal year.

### 2. UPDATE

#### 2.1 Work Programme 2015 / 2016 (Appendix A)

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.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the Committee meeting.

## APPENDIX A

<b>DATE: 29 JUNE 2015</b>			
		<b>Section / Lead</b>	<b>Description</b>
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Head of Internal Audit Opinion 2014 / 2015	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on Internal Audit activities for the year ended 31 March 2015
	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 2015 together with any associated action plan
	Investigations Team Annual Report 2014 / 2015	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2015
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2015
	Budget Monitoring Report Final Outturn 2014 / 2015	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2015
	Draft Statement of Accounts 2014 / 2015	Finance Steven Pilsworth	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2015
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

### OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
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	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)
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<b>DATE: 21 SEPTEMBER 2015</b>			
		<b>Section / Lead</b>	<b>Description</b>
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Audit of Statement of Accounts To Those Charged with Governance (ISA260)	Finance Steven Pilsworth & PWC	To receive the final Statement of Accounts for the year ended 31 March 2015 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

#### **OTHER POSSIBLE AGENDA ITEMS**

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Bens Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

<b>DATE: 9 NOVEMBER 2015</b>			
		<b>Section / Lead</b>	<b>Description</b>
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	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
	Use of Consultants	Finance Steven Pilsworth	To receive an update on the Use of Consultants across the organisation
	Treasury Management	Finance Steven Pilsworth	To receive an update on the policy and effectiveness of treasury management
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

#### **OTHER POSSIBLE AGENDA ITEMS**

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

<b>DATE: 8 FEBRUARY 2016</b>			
		<b>Section / Lead</b>	<b>Description</b>
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	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
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

#### **OTHER POSSIBLE AGENDA ITEMS**

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

<b>DATE: 21 MARCH 2016</b>			
		<b>Section / Lead</b>	<b>Description</b>
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive an update on the strategic risks for the Council
	External Audit: Audit Plan	Ernst & Young	To receive and approve the External Audit Plan
	Internal Audit: Draft Internal Audit Plan 2016 / 2017	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2016 / 2017
	Draft Annual Audit Committee Report	Democratic Services Karen Dunleavy	To receive the Draft Annual Audit Committee Report prior to submission to Council
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

#### **OTHER POSSIBLE AGENDA ITEMS**

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

<b>To be rescheduled:</b>			
		<b>Section / Lead</b>	<b>Description</b>
	Outcome of the Code of Conduct Review	Governance Ben Stevenson	Outcome of second review following Audit Committee action point 22 September 2014

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