

AUDIT COMMITTEE

MONDAY 8 FEBRUARY 2016
7.00 PM

Bourges/Viersen Room - Town Hall

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

AGENDA

Page No

1. **Apologies 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 9 November 2015** 3 - 8

To approve the minutes of the meeting held on Monday, 9 November 2015

4. **Annual Audit Letter and Other External Audit Reports.** 9 - 34

INFORMATION AND OTHER ITEMS

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

The Committee is asked to **NOTE** that there have been no RIPA authorisations in this quarter.

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

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 9 November 2015, which exceed the Council's Financial Regulation threshold of £10,000.

7. **Feedback Report** 35 - 68



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

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

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at:

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

Committee Members:

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

Substitutes: Councillors: C Harper, J Johnson, D Harrington, J 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

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 9 NOVEMBER 2015

Present: Councillors Aitken (Chairman), Over (Vice Chairman), F Fox, Shaheed, Lane and Scott OBE.

Also Present: Councillor Seaton Cabinet Member for Resources

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Ben Stevenson, Compliance Manager (Governance)
Steven Crabtree, Chief Internal Auditor
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sylvester.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON MONDAY, 21 September 2015

The minutes of the meeting held on Monday, 21 September 2015 were approved as an accurate and true record.

4. Internal Audit: Mid-Year Progress Report

The Chief Internal Auditor introduced the report to Audit Committee Members, which outlined the six monthly Internal Audit performance and progress with regards to the 2015 / 2016 Audit Plan report as at 30 September 2015.

Key points highlighted included:

- Closing down Audits;
- Finalising Audits;
- Audit programme; and
- The progress of integration of the Council's new financial system Agresso, and assurances that access rights had been correctly migrated.

The Chief Internal Auditor and Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- The audit highlighted on page 31 of the report had been identified by Children's Services, which had triggered an unannounced visit by the Audit Team. Following the audit, an action plan had been put in place for the Local Authority run school;
- The cost of audits conducted by the team were not charged directly to individual schools;
- The issue highlighted for the school that had been audited was in relation to proper procurement processes, which had not been followed by them, rather than the issue being due to an overspend;

- There were financial rules and regulations that Head Teachers and Bursars were required to follow. There had also been a member of Peterborough City Council's finance team conducting regular visits to schools as part of the monitoring budget. Any issues highlighted to the Audit Team would launch an audit investigation in order to identify the issues, set actions and ensure that actions were completed;
- Ultimately, finance decisions were a matter for the governing bodies, however, if there were no changes made by the school following the Audit Team's recommendations made, then there would be an appropriate level of escalation in order to ensure that audit actions were being met and completed;
- Closure completion of previous reviews had related to audits that had rolled over to the following financial year, which had been due to dates set for action points rather than an Audit Team resource issue;
- The Audit Team would undertake a feasibility review of projects in order to assess whether projects would meet the outcomes anticipated; and
- Reports and memos had been drafted following the petty cash recommendations to schools involved in recent audits, and a response from schools was expected imminently. An update on the completion of actions would be recommended to Audit Committee at a later date.

The Committee:

Noted the progress made against the plan and the overall performance of the section.

5. Use of Consultants

The Service Director Financial Services, introduced the report to Audit Committee Members as part of their ongoing role to monitor and review the Council's spend on the use of consultants. The Committee were also informed that the report had demonstrated a consistent downward trend on the use and spend on consultants.

The Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- Members commented that the report produced for the use of consultants was very clear;
- The request to monitor the use of consultants and interims within the consultancy reports had arisen out of the original review conducted by Sustainable Growth Scrutiny Committee;
- Members raised concerns over the level of detail behind consultancy work undertaken on projects such as the Football Club, Peterborough Environment City Trust (PECT) for the Zero CO2 Project, Olsen Partnership Limited for Branding and the Frog Life Trust and that a fuller description of the work undertaken should be included;
- The Frog Life Work had involved an environment statement undertaken in conjunction with the Fletton Parkway widening, and the £11k spend was in conjunction with the football skills centre;
- There had been a formal process followed such as completion of a business case for each project, which was approved by the Corporate Director Resources and the Cabinet Member for Resources before consultants could be commissioned to undertake a piece of work for the Authority;
- The spend on WESTCO Trading Limited was in relation to the work undertaken as part of a project in conjunction with Westminster City Council and resources for communications;
- Serco was the main provider for the Authority's staff. In order to commission consultancy staff, there was a stringent sign off process such as a business case, PCC interview and approval process before the resource required could be supplied;

- The Axiom Housing Interim Housing Finance Lead was commissioned to conduct a series of work carried out over a short period of time, and could have been classed as an interim or a consultant; and
- Consultant or interim contracts would include an indemnity clause, which could be initiated if the service provided had been found to be not fit for purpose. The contractor or interim would receive a notice to terminate if they had not provided the correct advice or service required.

The Committee:

1. Noted the update report on the use of Consultants for the period 1 October 2014 – 30 September 2015.

The Committee Also Agreed:

That the Service Director Financial Services would include further commentary to the Committee over the use of interims and consultants and highlight work they had been commissioned to undertake when conducting Council projects.

6. Treasury Management

The Service Director Financial Services introduced the Treasury Management report to Audit Committee Members, which outlined the Council's treasury management policies, practices and activities including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

The Service Director Financial Services, responded to comments and questions raised by Members. A summary of responses included:

- The Authority's investments were with the Bank of Scotland and not the Royal Bank of Scotland;
- An amount of £2.7m had been recovered from the Iceland Banks, however, the remaining recovery amount of 10% provided more of a challenge to the Authority, but would be pursued;
- The investment ratings were highly dependent on the level of Government support;
- The Council made sure that they had only invested money in high rated investments;
- The Iceland investments were made in 2007 and 2008;
- Short term investment could be moved around banks as necessary and the treasury strategy should be reviewed as part of that process;
- The Council's current majority profile was usually taken out over a 10 year period and would run over the life span of the asset. The Council would commit to a short term loans where necessary;
- The indicator set for the borrowing structure had been factual and issues may occur when the Council needed to repay what the interest rates were at that time of the repayment;
- The Council aimed to not pay too many loans back at the same time;
- There was chart within the report which demonstrated the Council's loan payment timelines;
- The Council employed the services of Capita experts to provide advice on the loan profiling; interest rates forecast, daily updates on credit ratings and loan re-profiling;
- Capita would utilise a team of 12 people to pull the financial information together. The Authority would not be in a position to provide the same services in house at the same level for the treasury management work;
- The treasury management function was undertaken by the treasury management team, which consisted of four staff. The treasury management team held a

knowledge of treasury management and there were financial staff skilled to provide appropriate cover in the case of staff absence; and

- The reference to TSB should be removed from the Local Authority Mortgage Scheme at indicator point 11 within the report.

The Committee:

Reviewed the current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).

The Committee Also Agreed:

That the Service Director Financial Services would provide:

1. The current Bank of Scotland loan ratings to Members of the Audit Committee; and
2. A graphical chart that outlined the payment timeline for the next 50 years for loans associated to PCC borrowing.

INFORMATION AND OTHER ITEMS

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

The Compliance Manager (Governance) introduced the RIPA report for the period 1 March 2015 to Committee Members, which outlined the use of the Council's covert surveillance to investigate issues such as fly tipping. The Committee were advised that there had been no use of RIPA.

The Compliance Manager (Governance) also introduced a report to Members of the Committee, which outlined the action plan put in place by the Office of Surveillance Commissioner (OSC) following a recent inspection of the Council's use of RIPA.

The key points highlighted included:

- The training recommended as an outcome of the inspection;
- Inspection of the RIPA Policy;
- Guidance around the Council's use of RIPA;
- Guidance around when RIPA did not apply;
- Use of social media in investigations; and
- Data Retention and Investigatory Powers Act 2014, which was introduced by the Government to deal with the abuse of data protection and the prosecution applicable.

The Compliance Manager (Governance) responded to comments and questions raised by Members. In summary responses included:

- Members commented that the care quality commission recommend on their website that they could use covert surveillance;
- It was important that Council staff understood when the use of RIPA could be undertaken; and
- The inspector did not comment over the amount of RIPA the Council undertook.

The Committee:

1. Received, considered and endorsed the report and the recommendations of the OSC inspection; and
2. Approved the revised corporate RIPA policy.

The Committee Also Agreed:

That the Compliance Manager (Governance) would provide feedback to Audit Committee Members over the current guidance the Care Quality Commission had provided on their website over the use of RIPA and how the guidance aligned with the Data Retention and Investigatory Powers Act 2014.

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 Chairman 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 that there was nothing to report.

13. WORK PROGRAMME

The Chairman 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.

The Committee:

Noted and approved the 2015/2016 Work Programme.

7:00pm – 7:52pm
Chairman

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 4
8 FEBRUARY 2016	PUBLIC REPORT

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

EXTERNAL AUDIT REPORTS

RECOMMENDATIONS	
FROM : John Harrison, Executive Director Resources	Deadline date : NA
The Audit Committee is asked to:-	
1. Consider and endorse the 2014/15 Annual Audit Letter; and	
2. Consider and endorse the 2014/15 Grant Claims: Annual Certification Report.	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with its Work Programme for 2015/16.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to introduce various reports from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference – 2.2.1.5 *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. EXTERNAL AUDIT REPORTS

4.1 During the year, PwC have undertaken various reviews on behalf of the authority, the Annual Audit Letter collates and summarises those reports, the bulk of which was reported to Audit Committee in the ISA 260 on the 21st September 2015. The following reports have been received and agreed with senior management.

Appendix	Report	Issue Date
A	2014/15 Annual Audit Letter	22 nd October 2015
B	2014/15 Grant Claims : Annual Certification Report	6 th January 2016

2014/15 Annual Audit Letter

4.2 The External Auditor produces an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. The report notes that PwC issued unqualified audit opinions both on the 2014/15 Statement of Accounts and on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources. Cabinet will also consider this report on 8th February 2016. The letter is attached at Appendix A for review by Audit Committee.

- 4.3 As the letter is summarising reports from earlier in the year, some of the information is now out of date. For example the Use of Resources section mentions a budget gap for 2016/17 of £18.3m. This was the position in September when the Report to Those Charged with Governance (ISA 260) was produced. Since then, significant work has been undertaken on the budget, and Cabinet will have considered proposals for a balanced budget for 2016/17 at the 8th February 2016 meeting.

2014/15 Grant Claims: Annual Certification Report

- 4.4 This is an annual report into the review and verification of grant claims across PCC, which is attached at Appendix B. For 2014/15 this covers Housing Benefit certification work.
- 4.5 Although the work resulted in a £32 reduction in the claim to £73,572,041 and a qualification letter to the DWP, the report makes it clear that this is because there is no materiality applied to this work and that the issues identified were relatively minor. Furthermore the report notes that there is a significant improvement year on year.
- 4.6 Three audit recommendations were made, and management responses to all of these have already been implemented.

Report to Management: Interim and Final Audit 2013/14

- 4.7 In previous years a Report to Management has been submitted. This year, as they were last year, all significant matters were reported within the ISA 260, which was reviewed by Audit Committee on the 21st September 2015. A separate report therefore has not been prepared.

5. CONSULTATION

The various appendices have been discussed, and actions agreed by senior management at various times before being finalised. In addition, Cabinet will discuss and approve their content at the 8th February meeting

6. ANTICIPATED OUTCOMES

Acknowledgement and approval of the works undertaken by External Audit.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit (England) Regulations 2011 require that the Annual Audit Letter is considered by a committee of the Council. This is covered by the Audit Committees' Terms of Reference – 2.2.1.5 *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

8. ALTERNATIVE OPTIONS CONSIDERED

The alternative would be to not comply with the Regulations and is not an option.

9. IMPLICATIONS

Implications have been identified separately in each agreed Action Plan

10. BACKGROUND DOCUMENTS

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

Council Constitution

11. APPENDICES

- Appendix A – 2014/15 Annual Audit Letter
- Appendix B – 2014/15 Grant Claims : Annual Certification Report

This page is intentionally left blank

www.pwc.co.uk

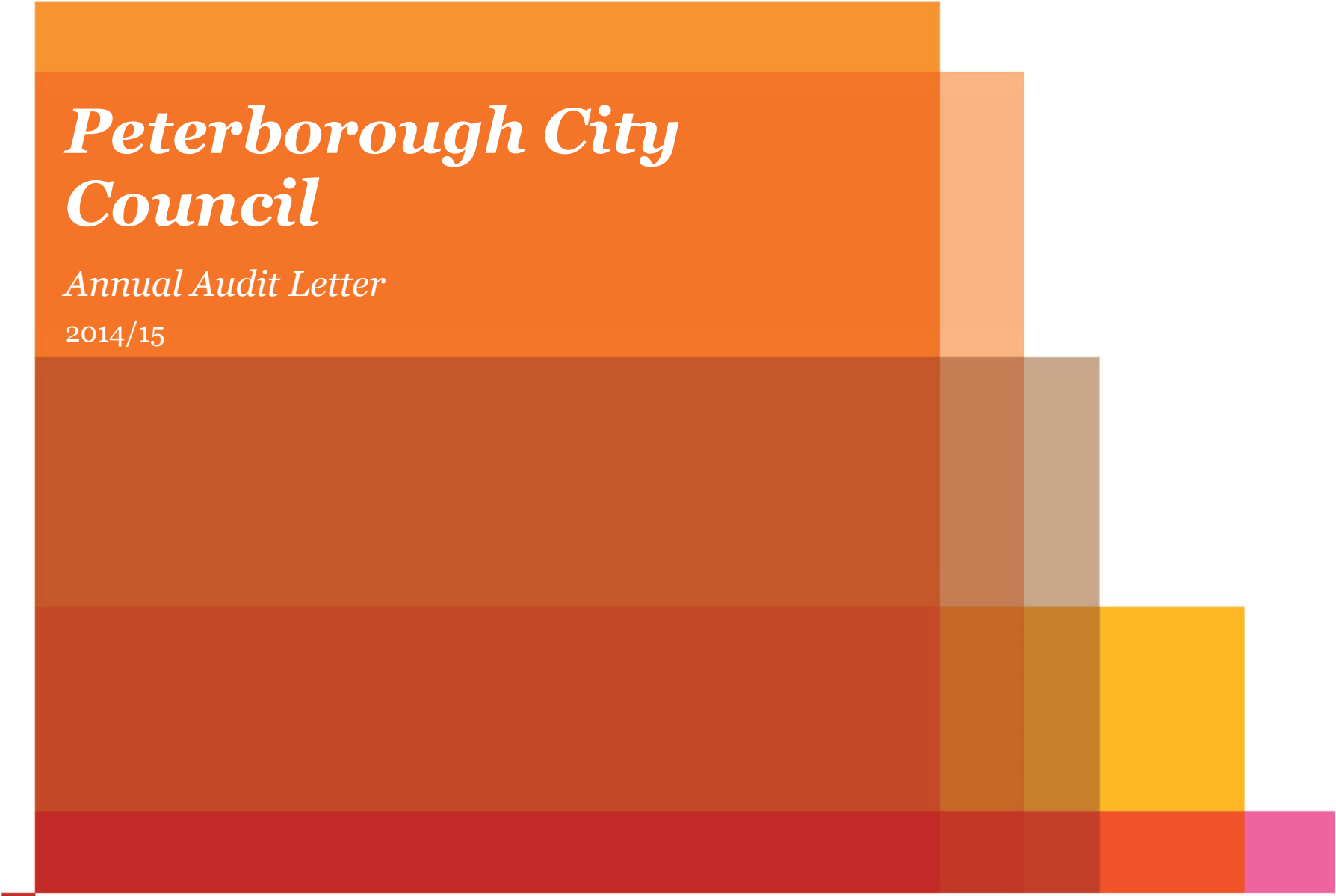
Peterborough City Council

Annual Audit Letter
2014/15

13

Government and
Public Sector

October 2015



Contents

<i>Introduction</i>	2
<i>Audit Findings</i>	4
<i>Other matters reported to those charged with governance</i>	5
<i>Final Fees</i>	7

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

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

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

Introduction

The purpose of this letter

This letter summarises the results of our 2014/15 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Report to those charged with Governance (ISA (UK&I) 260); and
- Annual Certification Report (to those charged with governance) for 2013/14.

The matters reported here are the most significant for the Authority.

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	<p>We reported our findings to the Audit Committee on 21 September 2015 in our 2014/15 Report to those charged with governance (ISA (UK&I) 260).</p> <p>On 30 September 2015 we issued an unqualified audit opinion.</p>
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	<p>We reported to the National Audit Office that the consolidation return was consistent with the audited statutory accounts.</p>
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	<p>We issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on 30 September 2015.</p>

Audit Responsibility	Results
<p><i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i></p>	<p>We had no matters to report following our review of the Council's Annual Governance Statement.</p>
<p><i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i></p>	<p>We had no matters to report in the public interest.</p>
<p><i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i></p>	<p>We identified no other action to be taken in relation to our responsibilities under the Audit Commission Act.</p>

Audit Responsibility	Results
<p><i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i></p>	<p>We issued our audit completion certificate on 30 September 2015.</p>

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2015.

Our Report to Those Charged with Governance (ISA (UK&I) 260), detailing the findings from our audit, was presented to the Audit Committee on 21 September 2015. We wish to draw the following points, included in that report, to your attention in this letter.

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.

Our testing noted differences in the GIAs on the valuation certificates compared to supporting documentation (e.g. information on the Authority's asset register, floor plans and lease documentation) for 4 of the 6 properties tested.

Investigation identified that the Council's fixed asset register was not appropriately up-to-date with the relevant GIA information. However, our work in this area concluded that the amounts on the valuation certificates were appropriate and no adjustments were required to the accounts as a result of this matter.

We raised an internal control recommendation within our ISA 260 report in relation to this matter.

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 reviewed its treatment on accounting for schools' non-current assets.

In summary, the guidance requires schools' non-current assets to be included on the Authority's Balance Sheet if they are controlled by the Authority. Control over the asset must be based on rights that are either legal or substantive.

The Authority concluded that it did not have control of non-current assets in relation to all Voluntary Aided / Voluntary Controlled Schools as it did not own these schools and had no substantive rights over the assets.

Our review and testing of this conclusion identified the following matters in relation to 5 schools with a total net book value of £9.5m:

- 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 is legal owner of the assets.

We have considered the judgements and assumptions made by the Authority within its assessment of these 5 schools. 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 for this view, including relevant legislation, provided by the Authority's legal team.

We are satisfied with the conclusions made by the Council not to recognise these assets. However, we requested disclosure of this matter, including the net book value of the non-current assets of £9.5m, in a note to the accounts.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether the Council had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

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

To reach our conclusion, we carried out a programme of work that was based on our risk assessment, which included:

- Obtaining and reviewing the Council's Medium Term Financial Strategy, including the assumptions utilised in identifying the funding gaps arising;
- Considering and discussing the emerging savings options with officers, in order to understand the current plans to address the funding gap;

- Considering the Council's historic record in delivering savings; and
- Considering the monitoring and reporting arrangements, together with governance structures in place in relation to savings and efficiencies.

We issued an unqualified conclusion, on 30 September 2015.

The ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Council given:

- The Council has significant funding gaps within its Medium Term Financial Strategy - our review of the Strategy presented to the Council in March 2015 noted that total recurrent savings required over the first five years of the strategy amounted to £19.5m; and
- Since March 2015, other financial pressures have emerged – largely as a result of further estimated reductions in grant funding for 2016/17. As a result of this, and additional in-year pressures, the forecast deficit for 2016/17 had increased from £10.1m to £18.3m as at September 2015.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. We found no areas of concern to report in this context.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance on 2 February 2015. We certified 1 claim worth £74.1 million. A qualification letter was required to set out the issues arising from the certification of the claim. The significant details were also set out in our Annual Certification Report for 2013/14.

We will issue the Annual Certification Report for 2014/15 in December 2015.

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

Other matters reported to those charged with governance

These are the matters we consider to be most significant for the Authority and have been raised with those charged with governance. Other, less significant recommendations have been brought to the attention of the Director of Finance.

As detailed within the audit findings section of this report, we identified a control deficiency within the accounting for property, plant and equipment in relation to Gross Internal Areas. This is set out in the table below. We also identified a deficiency in relation to IT general controls which we was first raised in 2011/12. The management response was agreed at that point in time, however as the issue had not been resolved we re-raised this matter within our ISA 260 report and also wish to bring it to your attention.

Recommendation	Management Response	Target Implementation Date
<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>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>In time be to be effective on the Statement of Accounts 15/16</p>

Access to data files and super user access to applications

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.

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:

- User access
- User access levels and limitations
- Approval hierarchies
- Transactional processing formats and fields
- System security and controls
- System tolerances
- Configuration changes

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.

To be reviewed on implementation of Agresso.

Final Fees

Final Fees for 2014/15

We reported our fee proposals in our audit plan 2014/15.

We have undertaken additional work this year as a result of accounting issues identified during the course of our audit and targeted work on the use of resources. Our fees will therefore be in excess of the scale fee and we are currently in the process of agreeing the final amount with the Council and Public Sector Audit Appointments Ltd. We will report the final position in due course.

Our fee for certification of claims and returns is yet to be finalised for 2014/15 and will be reported to those charged with governance in December 2015 within the 2014/15 Annual Certification Report



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.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

130610-142627-JA-UK

This page is intentionally left blank

Annual Certification Report 2014/15 Peterborough City Council

*Government and
Public Sector – Annual
Certification Report to
those charged with
governance.*

January 2016



The Members of the Audit Committee

Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1HG

06 January 2016

Ladies and Gentlemen,

Annual Certification Report (2014/15)

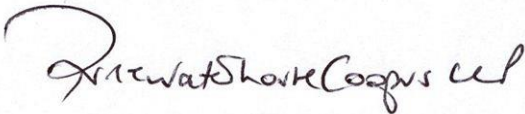
We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the Housing Benefit certification work we have undertaken at Peterborough City Council for the financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector Audit Appointments Ltd (PSAA) as external auditor. The PSAA is the replacement body of the Audit Commission as at 1 April 2015 and from this date only the Housing Benefit Subsidy claim was subject to certification under this new arrangement. For independent reporting on any other grant claim or return this fell outside of the PSAA arrangement and as such is not included within this report.

We ask the Audit Committee to consider:

- the results of Housing Benefit certification work;
- the adequacy of the proposed management action plan for 2014/15 set out in Appendix A; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

Yours faithfully,



PricewaterhouseCoopers LLP

Table of Contents

Results of Certification Work	4
<hr/>	
BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015	4
a) Introduction	4
b) Summary information	4
c) Fee	4
d) Summary of matters arising	5
e) Prior year matters	5
<hr/>	
Appendix A	6
<hr/>	
Management Action Plan: Current year issues (2014/15)	6
<hr/>	
Appendix B	8
<hr/>	
Management Action Plan: Prior year issues (2013/14) – progress made	8
<hr/>	
Glossary	9
Scope of Work	9
Statement of Responsibilities	9
PSAA Definitions for Certification work	9

Results of Certification Work

BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015

a) Introduction

Local authorities responsible for administering housing benefit (HB) for tenants of a local authority and rent allowances for private tenants, claim subsidy from the Department for Work and Pensions (DWP) in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent. The final claim form (MPF720A) reflects an authority's annual position for subsidy owed to / from DWP. DWP use the results of auditor certification on this claim form as part of their determination in the annual settlement or claw back with an authority.

Public Sector Audit Appointments Ltd (previously known as the Audit Commisison) requires that all matters arising are either amended for (where appropriate) or reported within a qualification letter which follows a prescribed format. The certification approach which is to be applied by auditors (acting as agent to the PSAA) is defined by the PSAA and they have agreed guidance with the DWP. There is no materiality applied in our certification work.

Issues identified this year were relatively minor given the complexity of the BEN01 claim. These issues resulted in six amendments to the original claim form as submitted to the DWP in April 2015 and five qualification letter matters. These matters were all set out in our qualification letter to the DWP.

b) Summary information

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£73,572,009	£73,572,041	Yes	Yes

c) Fee

Claim/Return	2014/15 Indicative Fee	2014/15 Variation	2014/15 Proposed Final Fee	2013/14 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	£18,740	Nil	£18,740	£18,159	No variation has been made to the PSAA's 2014/15 indicative fee

The fee reflects the Council's current performance and arrangements for Housing Benefit certification.

d) Summary of matters arising

Issues identified this year were relatively minor given the complexity of the BENO1 claim and we noted that although a small number of errors were identified in the 14/15 testing of Rent Rebates (Non-HRA) cases there was a significant improvement year on year. However, it is possible that should the issues identified this year not be addressed, there may be an impact on subsidy in future years. Details of these issues and of the matters giving rise to our qualification of the BENO1 claim are set out in Appendix A.

e) Prior year matters

We have reviewed the progress made by the Authority in implementing the certification action plan for 2013/14; details can be found in Appendix B.

Appendix A

Management Action Plan: Current year issues (2014/15)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2015)

Issue (please note there is no level of materiality applied when reporting issues found)	Recommendation	Management response	Responsibility (Implementation date)
Rent Rebates (Non-HRA) Cases			
<p>Our initial testing identified one instance of an assessor incorrectly calculating the split between expenditure up to the applicable Local Housing Allowance rate (cell 012) which receives subsidy at 100%, and expenditure above the rate (cell 013), which receives nil subsidy. Additional testing of 40 cases identified four further instances of an incorrect split. The total impact was that cell 012 was overstated by £378.15 and cell 013 correspondingly understated.</p>	<p>The issues noted were minor in the context of the complexity of the BEN01 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.</p>	<p>With regards to the errors in cell 12/13, since 01/04/15 we have had a secondary senior systems officer checking all cases where amendments are made as a result of manually allocating subsidy between cells 12 and 13. This was not implemented in time for this (14/15) audit, but this will help minimise, and hopefully remove, any further errors due to manual adjustments in this cell from 15/16 onwards. In addition to this, further subsidy training was provided to both officers on 10th November to further their knowledge of this type of subsidy (specifically homeless subsidy).</p>	<p>Jess Cox (Benefit Manager) Already implemented</p>
<p>While performing initial testing an error was noted where earned income was incorrectly calculated resulting in an underpayment of benefit of £0.02. During extension testing of 40 cases no further errors were identified.</p>			
<p>One instance (out of a total of seven cases) where the Authority had misclassified an overpayment as eligible, which receives subsidy at 40%, rather than technical, which receives nil subsidy. One amendment amounting to £0.33 was made to correct these misclassifications. As such, no reporting to the DWP was</p>			

required.			
Rent Allowances Cases			
As part of our initial testing an issue was noted in three cases where the incorrect start date was applied for the receipt of Income Support. In two cases this resulted in eligible expenditure which receives subsidy at 100% being classified as an eligible overpayment, which receives subsidy at 40%. The total value of the misclassification was £162.98. In one further case benefit had been underpaid to the claimant by £15.99 as a result. During extension testing of 40 cases no further errors were identified.	The issue noted was minor in the context of the complexity of the BENO1 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	The errors identified in this cell relate to what is known as changes to 'relevant benefits'. Updated guidance has been reissued to all processing staff on 2nd November to refresh and update their knowledge in this area. The likely impact of errors in this area is minimal as errors would usually only cover a part week only (ie adjustment to benefit covering 6 or fewer days); however, the additional training provided will help minimise/remove any further problems in this area.	Jess Cox (Benefit Manager) Already implemented
Modified Schemes			
As a result of an issue identified in 2013/14, extension testing was performed to test uprating and application of war disablement pensions. During the testing two cases (out of 30) were identified where expenditure was incorrectly allocated. The total impact was that Rent Allowance expenditure was understated by £127.66 and modified scheme expenditure correspondingly overstated. An amendment was made and as such, no reporting to the DWP was required.	The issue noted was minor in the context of the complexity of the BENO1 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	These claims only make up a very small number of our caseload (~30 cases, less than 0.2%). To help reduce any further errors in this area a change in our processes was made in September whereby any amendments to these claims have to go through the Benefit Manager prior to any new assessment being made, to ensure the modified scheme element of the award is correct. This will ensure checking of in-year adjustments is undertaken. In addition, checking of the automated annual upratings will be made by a team leader or the Benefit Manager prior to the submission of the audit claim each year.	Jess Cox (Benefit Manager) Already implemented

Appendix B

Management Action Plan: Prior year issues (2013/14) – progress made

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Prior year Recommendation	2013/14 Management response	Recommendation Status 2014/15
<p>Testing of the classification of Non-HRA Rent Rebate overpayments due to a reduction or cessation in rental liability identified the following:</p> <ul style="list-style-type: none"> • 4 cases from initial testing had been misclassified as eligible overpayments, which receive subsidy at 40%, rather than technical overpayments, which receive nil subsidy; and • 55 cases, (out of 61), within the extension testing of eligible overpayments should have been classified as technical overpayments. <p>The rate of error within this small sub-population of extension testing cases is high and demonstrates a gap in the understanding of benefit assessors in respect of the classification of overpayments.</p>	<p>The Authority should review the training and guidance offered to assessors in respect of the classification of overpayments due to a reduction or cessation in rental liability in Non-HRA cases. In addition, consideration should be given to ensuring that the validation procedures in this area are adequate.</p> <p>In accordance with the Certification Instructions, and as a result of the errors identified in the 2013/14 certification, we anticipate that we will be required to perform testing of cases impacting the 2014/15 claim that include Non-HRA eligible overpayments. The Authority should therefore satisfy itself that classification impacting the subsidy in this area is accurate.</p>	<p>The majority of overpayments in this cell come from homeless accommodation and are processed by one officer (the calculated amount was correct, but the classification was not).</p> <p>a) Following the 13/14 certification completion a full review of all cases within the 14/15 claim was undertaken to correct any errors in the subsequent year.</p> <p>b) Once this had been done specific training was given to the officer concerned to reduce the risk of further error ongoing.</p> <p>c) A further 100% check will be undertaken on this cell prior to the 14/15 submission.</p>	<p>Although a small numbers of errors were noted in the 14/15 testing of Non-HRA payments there was a significant improvement year on year.</p>

Glossary

Scope of Work

Each year the Department for Work and Pensions (DWP) requests certification by an appropriately qualified auditor, of the Housing Benefit subsidy claim as submitted to them by local authorities each April. Certification arrangements are made by the PSAA (transitional body for the Audit Commission from 1 April 2015) under Section 28 of the Audit Commission Act 1998 and allow for the DWP to obtain assurance about an authority's entitlement to Housing Benefit subsidy in respect of their administering of housing benefit (HB) for tenants of a local authority and rent allowances for private tenants.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within HBCOUNT Modules and BENO1 Certification Instruction (CI) issued to us by the PSAA; these are designed to provide assurance, for example, that the Authority's claim is fairly stated and in accordance with specified terms and conditions.

Our role is to act as 'agent' of the PSAA when undertaking this certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the PSAA.

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the PSAA's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The PSAA publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the PSAA and appointed auditors in relation to claims and returns' this is available from the PSAA website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the PSAA and appointed auditors in relation to claims and returns.

PSAA Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the PSAA (previously known as the Audit Commission) under section 3 of the Audit Commission Act 1998 to audit an authority's accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission's certification instruction arrangements;

'assurance engagement' is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

'claims' includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

'Commission' refers to either the PSAA or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘HBCOUNT Modules’ are written instructions and a set of mandated tools from the Commission to appointed auditors on the certification of the Housing Benefit claims and returns;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the PSAA and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.

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

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

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

© 2016 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

AUDIT COMMITTEE	AGENDA ITEM No. 7
8 FEBRUARY 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Aitken, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 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 - D – Feedback Response Report

This page is intentionally left blank

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
9 November 2015	To include provide the Committee with further commentary over the use of interims and consultants and highlight work they had been commissioned to undertake when conducting Council projects.	Steven Pilsworth	This will be factored into the next update report to Committee	29 January 2016
9 November 2015	To provide the Committee with the current Bank of Scotland loan ratings.	Steven Pilsworth	The latest rating report from Capita is attached. Bank of Scotland can be seen on page 5 at appendix B.	29 January 2016
9 November 2015	To provide a graphical chart to the Committee that outlines the payment timeline for the next 50 years for loans associated to PCC borrowing.	Steven Pilsworth	This was included in the outturn report to Committee at their meeting of 29 th June, and can be found at paragraph 2.1.3 at the link below and at appendix C. http://democracy.peterborough.gov.uk/documents/s24175/Item%204%20Audit%20Cttee%20-%20Budget%20Monitoring%20Report%20Final%20Outturn%202014-15.pdf	29 January 2016
9 November 2015	To provide feedback to Audit Committee Members over the current guidance that the Care Quality Commission had provided on their website over the use of RIPA and how the guidance aligned with the Data retention and investigatory powers Act 2014.	Ben Stevenson	Response provided in Appendix D	28 January 2016

Credit List

Friday 22nd January 2016



Upper Boundary: 150

Top 5 Counterparties closest to moving FROM "Monitoring" TO "Out of Range" status

Reference	Institution	Current CDS	Proximity to Boundary	Week % Change
1	Deutsche Bank AG	124.49	25.51	20.93%
2	Norddeutsche Landesbank Girozentrale	117.61	32.39	7.13%
3	Macquarie Bank Limited	113.09	36.91	4.22%
4	Commerzbank AG	112.72	37.28	16.15%
5	Citibank, N.A. ~	105.43	44.57	13.13%

Monitoring Boundary: 100

Top 5 Counterparties closest to moving FROM "In Range" TO "Monitoring" status







Reference	Institution	Current CDS	Proximity to Boundary	Week % Change
1	Credit Suisse AG	99.00	1.00	8.13%
2	Australia and New Zealand Banking Group Ltd	97.27	2.73	6.68%
3	Commonwealth Bank of Australia	95.91	4.09	6.48%
4	National Australia Bank Ltd	95.91	4.09	6.48%
5	Westpac Banking Corporation	95.91	4.09	6.48%

Institution Benchmark
iTraxx Senior Financials Index 91.5 (83.75)



CDS Lower Boundaries
Monitoring Boundary: 100
Out of Range Boundary: 150

Sovereign Benchmark
iTraxx SOVX Western Europe Index 20 (20)
Upper Boundary (SOVX + 20bps) 40

Counterparty	Credit Ratings														Subjective Overlay													
	Fitch Rating							Moody's Ratings							S&P Ratings							CDS Data						
	Long Term Status	Long Term	Short Term Status	Short Term	Viability Status	Viability	Support Status	Support	Long Term Status	Long Term	Short Term Status	Short Term	FSR Status	FSR	Long Term Status	Long Term	Short Term Status	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	21/01/2016	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted with manual override)	
Abu Dhabi (U.A.E)	SB	AA						SB	Aa2					SB	AA				Not Applicable	Not Applicable	127.3	15.9%	47.0%	69.3%	119.2%	Out Of Range	Not Applicable	
National Bank of Abu Dhabi	SB	AA-		F1+		a-	1	SB	Aa3		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
Australia	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	45.8	-1.4%	12.2%	-7.0%	41.9%	Out Of Range	Not Applicable	
Australia and New Zealand Banking Group Ltd	SB	AA-		F1+		aa-	1	SB	Aa2		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths	97.3	6.7%	16.0%	14.4%	48.9%	In Range	O - 12 mths		
Commonwealth Bank of Australia	SB	AA-		F1+		aa-	1	SB	Aa2		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths	95.9	6.5%	13.7%	14.5%	46.4%	In Range	O - 12 mths		
Macquarie Bank Limited	SB	A		F1		a	3	SB	A2		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	113.1	4.2%	10.2%	-2.2%	26.6%	Monitoring	G - 100 days		
National Australia Bank Ltd	SB	AA-		F1+		aa-	1	SB	Aa2		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths	95.9	6.5%	13.7%	14.5%	46.4%	In Range	O - 12 mths		
Westpac Banking Corporation	SB	AA-		F1+		aa-	1	SB	Aa2		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths	95.9	6.5%	13.7%	14.5%	46.4%	In Range	O - 12 mths		
(I) Belgium	NO	AA						SB	Aa3					SB	AA				Not Applicable	Not Applicable	33.6	6.4%	9.8%	-4.3%	-12.8%	Monitoring	Not Applicable	
24 (I) BNP Paribas Fortis	SB	A+		F1		a	1	SB	A1		P-1		NW	A+		A-1		R - 6 mths	R - 6 mths								R - 6 mths	
(I) KBC Bank NV	SB	A-		F1		a-	5	PO	A2		P-1		NO	A		A-1		R - 6 mths	R - 6 mths								R - 6 mths	
Canada	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable								Not Applicable
(I) Bank of Montreal	SB	AA-		F1+		aa-	2	NO	Aa3		P-1			SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
(I) Bank of Nova Scotia	SB	AA-		F1+		aa-	2	NW	Aa2		P-1			SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
(I) Canadian Imperial Bank of Commerce	SB	AA-		F1+		aa-	2	NO	Aa3		P-1			SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
(I) National Bank of Canada	SB	A+		F1		a+	2	NO	Aa3		P-1			SB	A		A-1	R - 6 mths	R - 6 mths								R - 6 mths	
(I) Royal Bank of Canada	SB	AA		F1+		aa	2	NO	Aa3		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I) Toronto Dominion Bank	SB	AA-		F1+		aa-	2	NO	Aa1		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
Denmark	SB	AAA						SB	Aaa					SB	AAA				Not Applicable	Not Applicable	14.1	3.7%	7.6%	-0.1%	-19.8%	In Range	Not Applicable	
Danske Bank	SB	A		F1		a	5	SB	A2		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	71.5	9.1%	19.9%	10.7%	-5.2%	In Range	R - 6 mths		
(I) Finland	NO	AAA						NO	Aaa					NO	AA+				Not Applicable	Not Applicable	19.0	2.6%	5.5%	-0.1%	-11.5%	In Range	Not Applicable	
(I)1 Nordea Bank Finland plc	SB	AA-		F1+		aa-	5	SB	Aa3		P-1			NO	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I) Pohjola Bank								SB	Aa3		P-1			NO	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I) France	SB	AA						SB	Aa2					NO	AA				Not Applicable	Not Applicable	26.5	10.3%	11.5%	-8.6%	-14.4%	Monitoring	Not Applicable	
(I) BNP Paribas	SB	A+		F1		a+	5	SB	A1		P-1		NW	A+		A-1		R - 6 mths	R - 6 mths	78.4	11.2%	3.9%	6.7%	19.6%	In Range	R - 6 mths		
2(I) Credit Agricole Corporate and Investment Bank	PO	A		F1				PO	A2		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	70.3	6.0%	3.0%	0.0%	4.2%	In Range	R - 6 mths		
3(I) Credit Industriel et Commercial	SB	A+		F1		a+	5	SB	Aa3		P-1			NO	A		A-1	R - 6 mths	R - 6 mths								R - 6 mths	

	Counterparty	Credit Ratings													Subjective Overlay													
		Fitch Rating						Moody's Ratings					S&P Ratings		CDS Data													
		Long Term Status	Long Term	Short Term Status	Short Term	Viability Status	Viability	Support Status	Support	Long Term Status	Long Term	Short Term Status	Short Term	FSR Status	FSR	Long Term Status	Long Term	Short Term Status	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	21/01/2016	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted with manual override)
(I)	Credit Agricole SA	PO	A		F1		a	5	PO	A2		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	77.9	9.7%	12.1%	1.9%	11.3%	In Range	R - 6 mths	
	Societe Generale	SB	A		F1		a	5	SB	A2		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	80.9	14.7%	13.1%	1.9%	8.7%	In Range	R - 6 mths	
	Germany 	SB	AAA						SB	Aaa					SB	AAA			Not Applicable	Not Applicable	12.6	4.1%	4.1%	-3.8%	-7.3%	In Range	Not Applicable	
(I)	BayernLB	SB	A-		F1		bb+	1	PO	A3		P-2							G - 100 days	G - 100 days							G - 100 days	
(I)	Commerzbank AG	PO	BBB		F2		bbb	5	PO	Baa1		P-2		NO	BBB+		A-2	N/C - 0 mths	N/C - 0 mths	112.7	16.1%	24.3%	26.4%	31.5%	Monitoring	N/C - 0 mths		
(I) ♦	Deutsche Bank AG	SB	A-		F1		a-	5	PO	A3		P-2		SB	BBB+		A-2	G - 100 days	G - 100 days	124.5	20.9%	29.6%	45.2%	51.3%	Monitoring	N/C - 0 mths		
(I)	DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	SB	AA-		F1+				PO	Aa2		P-1		SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I)	Landesbank Baden Wuerttemberg	SB	A-		F1		bbb	1	PO	A1		P-1							R - 6 mths	R - 6 mths								R - 6 mths
(I)	Landesbank Berlin AG								PO	A1		P-1							R - 6 mths	O - 12 mths								O - 12 mths
(I)	Landesbank Hessen-Thueringen Girozentrale (Helaba)	SB	A+		F1+				PO	A1		P-1		SB	A		A-1	R - 6 mths	O - 12 mths	59.6	0.1%	-1.6%	-4.7%	-1.5%	In Range	O - 12 mths		
	Landwirtschaftliche Rentenbank	SB	AAA		F1+			1	SB	Aaa		P-1		SB	AAA		A-1+	P - 24 mths	P - 24 mths								P - 24 mths	
♦	Nordeutsche Landesbank Girozentrale	SB	A-		F1		bb+	1	SB	A3		P-2							G - 100 days	G - 100 days	117.6	7.1%	7.1%	10.1%	13.2%	Monitoring	N/C - 0 mths	
	NRW.BANK	SB	AAA		F1+			1	SB	Aa1		P-1		SB	AA-		A-1+	P - 24 mths	P - 24 mths								P - 24 mths	
	Netherlands 	SB	AAA						SB	Aaa				SB	AAA				Not Applicable	Not Applicable	15.1	7.0%	11.0%	1.7%	-6.2%	In Range	Not Applicable	
	ABN AMRO Bank N.V.	SB	A		F1		a	5	SB	A2		P-1		SB	A		A-1	R - 6 mths	R - 6 mths	73.6	17.2%	21.0%		21.1%	In Range	R - 6 mths		
	Bank Nederlandse Gemeenten	SB	AA+		F1+			1	SB	Aaa		P-1		SB	AAA		A-1+	P - 24 mths	P - 24 mths								P - 24 mths	
6	Cooperatieve Rabobank U.A.	SB	AA-		F1+		a+	5	SB	Aa2		P-1		SB	A+		A-1	O - 12 mths	O - 12 mths	65.6	20.1%	24.6%	10.1%	14.9%	In Range	O - 12 mths		
	ING Bank NV	SB	A		F1		a	5	SB	A1		P-1		SB	A		A-1	R - 6 mths	R - 6 mths	64.1	11.1%	19.3%	4.9%	-2.9%	In Range	R - 6 mths		
	Nederlandse Waterschapsbank N.V.								SB	Aaa		P-1		SB	AAA		A-1+	P - 24 mths	P - 24 mths								P - 24 mths	
	Qatar 	SB	AA						SB	Aa2				SB	AA				Not Applicable	Not Applicable	123.8	3.4%	47.2%	61.4%	110.6%	Out Of Range	Not Applicable	
(I)	Qatar National Bank	SB	AA-		F1+	NW	a	1	SB	Aa3		P-1		SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
	Singapore 	SB	AAA						SB	Aaa				SB	AAA				Not Applicable	Not Applicable								Not Applicable
8	DBS Bank Ltd	SB	AA-		F1+		aa-	1	SB	Aa1		P-1		SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
	Oversea Chinese Banking Corporation Ltd	SB	AA-		F1+		aa-	1	SB	Aa1		P-1		SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
	United Overseas Bank Ltd	SB	AA-		F1+		aa-	1	SB	Aa1		P-1		SB	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
	Sweden 	SB	AAA						SB	Aaa				SB	AAA				Not Applicable	Not Applicable	14.6	11.3%	15.8%	9.2%	0.0%	In Range	Not Applicable	
(I) 9	Nordea Bank AB	SB	AA-		F1+		aa-	2	SB	Aa3		P-1		NO	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I) 10	Skandinaviska Enskilda Banken AB	PO	A+		F1		a+	2	SB	Aa3		P-1		SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
(I) 11	Swedbank AB	PO	A+		F1		a+	2	SB	Aa3		P-1		NO	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
(I)	Svenska Handelsbanken AB	SB	AA-		F1+		aa-	2	SB	Aa2		P-1		NO	AA-		A-1+	O - 12 mths	O - 12 mths								O - 12 mths	
	Switzerland 	SB	AAA						SB	Aaa				SB	AAA				Not Applicable	Not Applicable	21.1	0.0%	0.0%	0.0%	0.0%	Monitoring	Not Applicable	

42

	Counterparty	Credit Ratings												Subjective Overlay															
		Fitch Rating						Moody's Ratings					S&P Ratings				CDS Data												
		Long Term Status	Long Term	Short Term Status	Short Term	Viability Status	Viability	Support Status	Support	Long Term Status	Long Term	Short Term Status	Short Term	FSR Status	FSR	Long Term Status	Long Term	Short Term Status	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	21/01/2016	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted with manual override)	
(I) 12	Credit Suisse AG	PO	A		F1		a	5	SB	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	99.0	8.1%	11.8%	39.1%	47.3%	In Range	R - 6 mths		
(I)	UBS AG	PO	A		F1		a	5	SB	Aa3		P-1			PO	A		A-1	R - 6 mths	R - 6 mths	63.1	19.7%	26.9%	14.3%	15.4%	In Range	R - 6 mths		
(I)	U.K. 	SB	AA+						SB	Aa1					NO	AAA			Not Applicable	Not Applicable	27.0	25.6%	45.8%	63.3%	50.5%	Monitoring	Not Applicable		
(I)	Abbey National Treasury Services plc	PO	A		F1				SB	A1		P-1							R - 6 mths	R - 6 mths								R - 6 mths	
(I)	Bank of Scotland Plc	SB	A+		F1		a	5	PO	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	59.5	5.3%	12.2%	-2.4%	0.2%	In Range	R - 6 mths		
	Barclays Bank plc	SB	A		F1		a	5	SB	A2		P-1			SB	A-		A-2	R - 6 mths	R - 6 mths	76.3	19.3%	23.2%	23.1%	19.4%	In Range	R - 6 mths		
	Close Brothers Ltd	SB	A		F1		a	5	SB	Aa3		P-1							R - 6 mths	R - 6 mths								R - 6 mths	
(I) 14	Clydesdale Bank	NW	A	NW	F1		bbb+	NW	1	SB	Baa1		P-2		NW	BBB+		A-2	G - 100 days	N/C - 0 mths								N/C - 0 mths	
(I)	Co-operative Bank Plc	SB	B		B		b	5	PO	Caa2		NP							N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
(I) ♦	Goldman Sachs International Bank ~	PO	A		F1				SB	A1		P-1			PW	A		A-1	R - 6 mths	R - 6 mths	102.2	5.5%	19.4%	12.4%	19.3%	Monitoring	G - 100 days		
	HSBC Bank plc	SB	AA-		F1+		a+	1	SB	Aa2		P-1			SB	AA-		A-1+	O - 12 mths	O - 12 mths	94.6	12.2%	32.4%	26.2%	50.0%	In Range	O - 12 mths		
(I)	Lloyds Bank Plc	SB	A+		F1		a	5	PO	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	64.6	13.9%	26.0%	17.9%	16.0%	In Range	R - 6 mths		
(I) 18	Santander UK plc	PO	A		F1		a	2	SB	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths								R - 6 mths	
(I) ♦	Standard Chartered Bank	NO	A+		F1		a+	5	NW	Aa2		P-1			SB	A+		A-1	O - 12 mths	O - 12 mths	165.0	6.6%	18.9%	37.9%	99.3%	Out of Range	N/C - 0 mths		
♦	Sumitomo Mitsui Banking Corporation Europe Ltd ~	SB	A		F1			1	SB	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths	100.0	10.8%	10.7%	37.8%	82.4%	Monitoring	G - 100 days		
(I)	UBS Ltd ~	PO	A		F1			1	SB	A1		P-1			PO	A		A-1	R - 6 mths	R - 6 mths	63.1	19.7%	26.9%	14.3%	15.4%	In Range	R - 6 mths		
	U.S.A. 	SB	AAA						SB	Aaa					SB	AA+			Not Applicable	Not Applicable									Not Applicable
(I)	Bank of America, N.A. ~	SB	A+		F1		a	5	SB	A1		P-1			PW	A		A-1	R - 6 mths	R - 6 mths								R - 6 mths	
	Bank of New York Mellon, The	SB	AA		F1+		aa-	5	SB	Aa1		P-1			SB	AA-		A-1+	P - 24 mths	P - 24 mths								P - 24 mths	
(I) ♦	Citibank, N.A. ~	SB	A+		F1		a	5	SB	A1		P-1			PW	A		A-1	R - 6 mths	R - 6 mths	105.4	13.1%	27.1%	14.8%	36.4%	Monitoring	G - 100 days		
	JPMorgan Chase Bank NA	SB	AA-		F1+		a+	5	SB	Aa2		P-1			SB	A+		A-1	O - 12 mths	O - 12 mths								O - 12 mths	
	Wells Fargo Bank NA	SB	AA		F1+		aa-	5	SB	Aa1		P-1			SB	AA-		A-1+	P - 24 mths	P - 24 mths	62.5	5.9%	11.9%	7.4%	18.6%	In Range	P - 24 mths		
	UK BUILDING SOCIETIES																												
(I)	Coventry BS	SB	A		F1		a	5	PO	A2		P-1							R - 6 mths	R - 6 mths								R - 6 mths	
	Leeds BS	SB	A-		F1		a-	5	SB	A2		P-1							R - 6 mths	R - 6 mths								R - 6 mths	
	Nationwide BS	SB	A		F1		a	5	SB	A1		P-1			SB	A		A-1	R - 6 mths	R - 6 mths								R - 6 mths	
	Newcastle BS	SB	BB+		B		bb+	5											N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
	Nottingham BS								SB	Baa1		P-2							N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
(I)	Principality BS	SB	BBB+		F2		bbb+	5	PO	Baa3		P-3							N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
	Skipton BS	SB	BBB+		F2		bbb+	5	SB	Baa2		P-2							N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
	West Bromwich BS								SB	B1		NP							N/C - 0 mths	N/C - 0 mths								N/C - 0 mths	
(I)	Yorkshire BS	SB	A-		F1		a-	5	PO	A3		P-2							G - 100 days	G - 100 days								G - 100 days	

43

	Counterparty	Credit Ratings													Subjective Overlay													
		Fitch Rating						Moody's Ratings					S&P Ratings		CDS Data													
		Long Term Status	Long Term	Short Term Status	Short Term	Viability Status	Viability	Support Status	Support	Long Term Status	Long Term	Short Term Status	Short Term	FSR Status	FSR	Long Term Status	Long Term	Short Term Status	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	21/01/2016	Week % Change	1 Month % Change	3 Month % Change	6 Month % Change	CDS Status	Suggested Duration (CDS Adjusted with manual override)
AAA rated and Government backed securities																												
	Collateralised LA Deposit*		AA+							Aa1					AAA				Y - 60 mths	Y - 60 mths								No Data Available
	Debt Management Office		AA+							Aa1					AAA				Y - 60 mths	Y - 60 mths								No Data Available
	Multilateral Development Banks		AAA							Aaa					AAA				Y - 60 mths	Y - 60 mths								No Data Available
	Supranationals		AAA							Aaa					AAA				Y - 60 mths	Y - 60 mths								No Data Available
	UK Gilts		AA+							Aa1					AAA				Y - 60 mths	Y - 60 mths								No Data Available
	* This is an assumed rating on the basis that all collateral is LA LOBOs which is government risk																											
NATIONALISED AND PART NATIONALISED BANKS																												
(1)	Royal Bank of Scotland Group plc	SB	BBB+	F2	bbb+		5	PO	Ba1	NP			PO	BBB-	A-3													Not Applicable
(1)	National Westminster Bank Plc	SB	BBB+	F2	bbb+		5	PO	A3	P-2			PO	BBB+	A-2	B - 12 mths	B - 12 mths											Not Applicable
(1)	The Royal Bank of Scotland Plc	SB	BBB+	F2	bbb+		5	PO	A3	P-2			PO	BBB+	A-2	B - 12 mths	B - 12 mths	76.3	11.6%	28.3%	4.1%	1.4%					Not Applicable	
(1)	Ulster Bank Ltd (Suspended)	SB	BBB+	F2	bb		2	PO	A3	P-2			PO	BBB	A-2	N/C - 0 mths	N/C - 0 mths											Not Applicable

- Newly included on, or deleted from, the list OR Changes to ratings which have a significant effect
- Change to ratings
- (!) Ratings on Rating Watch / Rating Alert / Rating Outlook
- New rating
- × Ratings withdrawn
- ◆ Change of duration based on CDS overlay

NO Negative Outlook
 NW Negative Watch
 DG Downgrade
 PO Positive Outlook
 PW Positive Watch
 UP Upgrade
 SB Stable Outlook
 EW Evolving Watch
 EO Evolving Outlook
 WD Rating Withdrawn

DG NO Downgrade & Negative Outlook
 DG NW Downgrade & Negative Watch
 DG SB Downgrade & Stable Outlook
 DG EW Downgrade & Evolving Watch
 DG EO Downgrade & Evolving Outlook
 DG PO Downgrade & Positive Outlook
 UP PO Upgrade & Positive Outlook
 UP PW Upgrade & Positive Watch
 UP SB Upgrade & Stable Outlook
 UP EW Upgrade & Evolving Watch
 UP EO Upgrade & Evolving Outlook

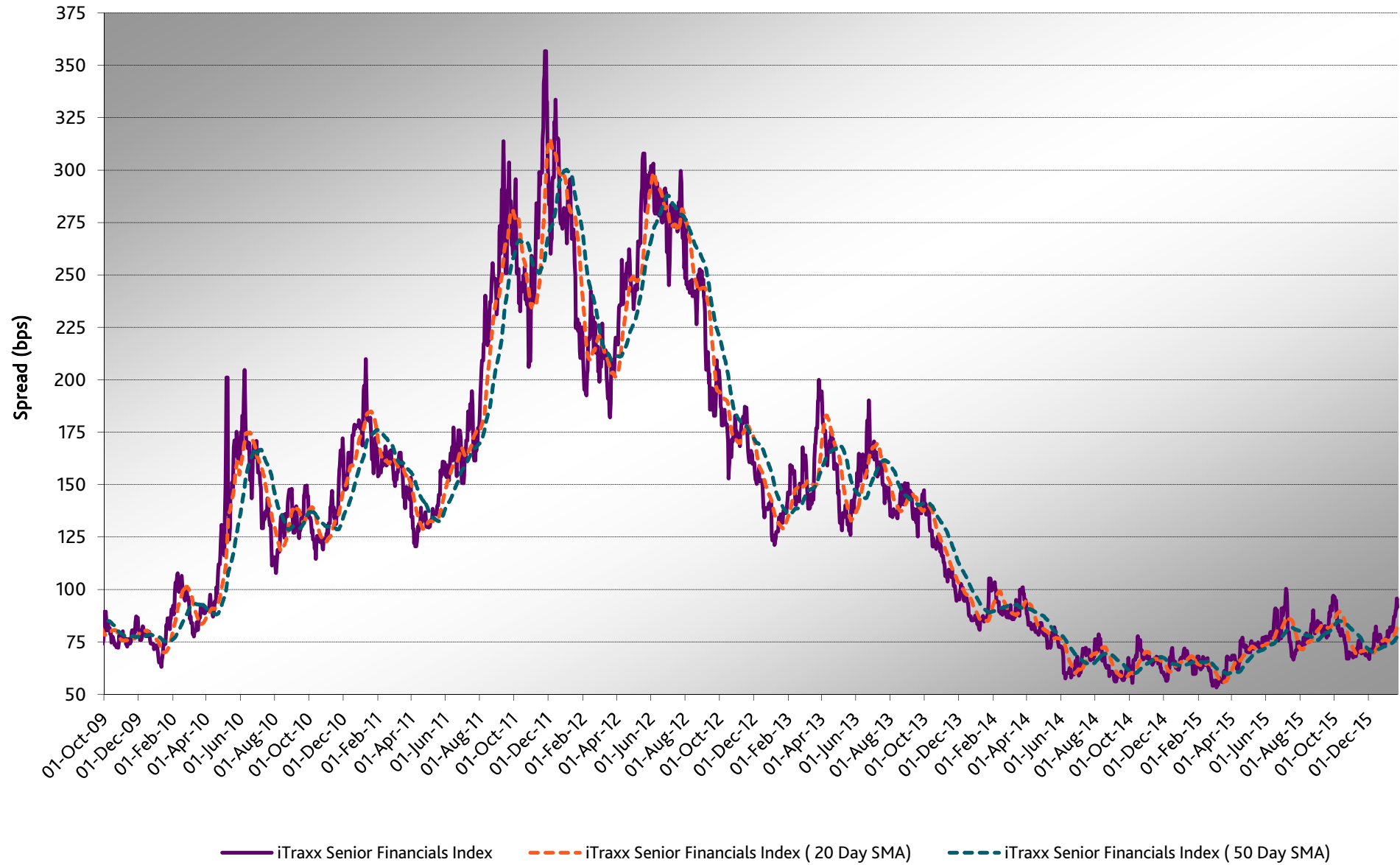
60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
100 Days	G
0 Months	N/C

DISCLAIMER: Capita Asset Services would like to inform clients that we supply the credit ratings of financial institutions from the rating agencies. We do not advise on the groupings of such financial institutions as we believe that knowledge can only be obtained from credit rating agencies. Whilst we make every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the accuracy, completeness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Capita Asset Services should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the information as a substitute for the exercise by the Client of its own judgement. This document has been produced solely for the use of clients of Capita Asset Services, Treasury solutions. The documentation itself, or any of the information contained therein, should not be disclosed to any third party without the prior written approval of Capita Asset Services. Strictly private and confidential.

Additional Notes

Reference	Institution	Notes
1	Nordea Bank Finland Plc	Name changed from Mertia Bank Ltd. Please note that deposits in the future can no longer be taken out under the name of Nordea Bank Finland Plc, but must instead be taken under Nordea Bank AB
2	Credit Agricole Corporate and Investment Bank	Name changed from CALYON Corporate and Investment Bank
3	Credit Industriel et Commercial	Name changed from Compagnie Financiere de CIC et de l'Union Europeenne to CIC Group and then changed to Credit Industriel et Commercial (CIC)
4	Intesa Sanpaolo	Merger between Banca Intesa and San Paolo IMI
5	UniCredit SpA	Merger between Unicredit Banca di Roma Spa and Unicredit SpA
6	Cooperatieve Rabobank U.A.	Also trades as Rabobank/Rabobank International/Rabobank Netherland. Name changed from Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland) to Cooperatieve Rabobank U.A.
7	DnB NOR Bank	Name changed from DnB NOR Bank. Merger between the former Den Norske Bank and Union Bank of Norway January 04
8	DBS Bank Ltd	Name changed from Development Bank of Singapore Ltd
9	Nordea Bank AB	(publ) Name changed from Nordea Bank Sweden (previously Nordbanken AB)
10	Skandinaviska Enskilda Banken AB	(publ) (SEB AB)
11	Swedbank AB	Name changed from ForeningsSparbanken AB
12	Credit Suisse	Merger between Credit Suisse and Credit Suisse First Boston
13	Bank of New York Mellon (International) Ltd	Formerly, The Bank of New York Europe Ltd
14	Clydesdale Bank	Yorkshire Bank is the trading entity of Clydesdale Bank
15	Credit Suisse International	Name changed from Credit Suisse First Boston International
16	DB UK Bank Limited	Name changed from Morgan Grenfell and Co Ltd
17	Bank of New York Mellon, The	Formerly Bank of New York, The
18	Santander UK plc	Name changed from Abbey National plc
19	UniCredit Bank AG	Name changed from Bayerische Hypo und Vereinsbank
20	Belfius Bank	Name changed from Dexia Bank Belgium
21	Sumitomo Mitsui Trust Bank, Limited	Name changed from Sumitomo Trust & Banking Co Ltd
22	Permanent TSB plc	Name changed from Irish life & Permanent plc
23	Virgin Money plc	Name changed from Northern Rock plc to Virgin Money plc
24	BNP Paribas Fortis	Name changed from Fortis Bank to BNP Paribas Fortis
25	Mizuho Bank, Ltd	Name changed from Mizuho Corporate Bank Ltd to Mizuho Bank, Ltd
26	Dunbar Assets Ireland	Name changed from Zurich Bank to Dunbar Assets Ireland
27	ICBC Standard Bank plc	Name changed from Standard Bank Plc to ICBC Standard Bank plc
28	Citizens Bank, NA	Name changed from RBS Citizens Bank, NA to Citizens Bank, NA
~		CDS prices inherited from Parent/Group Company

47



This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 4
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Cllr Andy Coles, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director, Financial Services	Tel. 452520 Tel. 384564

BUDGET MONITORING REPORT FINAL OUTTURN 2014/15

R E C O M M E N D A T I O N S	
FROM : Corporate Director Resources	Deadline date : N/A
<p>That Audit Committee approve:</p> <ol style="list-style-type: none"> 1. The reserves position for the Council. <p>That Audit Committee note:</p> <ol style="list-style-type: none"> 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 have 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 is 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. 	

1 ORIGIN OF THE REPORT

- 1.1 This report is submitted to Audit Committee with the final position for both the revenue budget and capital programme and requires the Committee to approve the reserves position as part of the Council's statement of accounts.

2 PURPOSE AND REASON FOR REPORT

- 2.1 The report provides Audit Committee with the outturn financial position for both the revenue budget and capital programme for 2014/15, subject to any changes required in the finalisation of the detailed statutory statement of accounts. The Committee is required to approve the reserves position as part of the statement of accounts.
- 2.2 The report also contains performance information on treasury management activities, payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

- 2.3 The report is for Audit Committee to consider under its terms of reference No. 2.2.1.18 to review the annual statement of accounts, specifically, 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.

3 **TIMESCALE**

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	N/A
--	----	-------------------------------------	-----

4 **FINAL OUTTURN 2014/15**

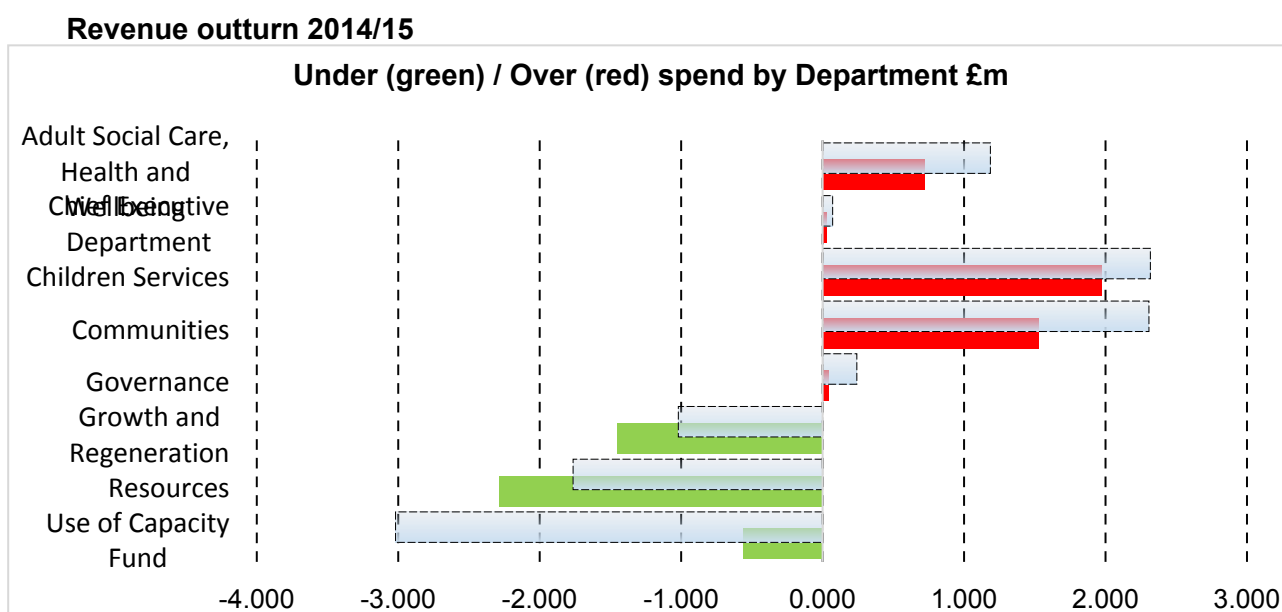
4.1 **Corporate Overview**

- 4.1.1 The Council at its meeting in March 2014 approved a balanced budget for 2014/15 that supported the Council's key priorities to meet the changing characteristics of the city, its residents, businesses and those that visit the city. The approved budget included £19m of savings as a result of a £9m reduction in funding and increased demand for services creating pressures of £10m. The MTFs also outlined a number of risks that required to be monitored during the year.
- 4.1.2 Since the budget was set by Council in March 2014 the Council has experienced a variety of pressures against those budget plans. Audit Committee approved a one-off contribution of £3.2m from the capacity fund in June 2014 to mitigate pressures on Children's Services and Adult Social Care. There remained a £1.3m forecast overspend based on July 2014 figures.
- 4.1.3 During the year Corporate Management Team (CMT) received regular updates on the in-year budget position including tracking the delivery of savings approved as part of the budget and monitoring of identified risks. Through robust management action savings have been made to mitigate pressures, albeit some of the savings are one off actions, and the budget outturn has steadily improved. The November 2014 information upon which the probable outturn was based was for a £0.3m overspend with CMT committed to delivering a balanced position.
- 4.1.4 The Cabinet discussed the financial position regularly, with formal positions reported to Cabinet meetings held between September 2014 and March 2015 to ensure that pressures and risks were managed and taken account of in developing budget proposals for 2015/16 and future financial years. Financial plans were also considered by a cross-party budget working group.
- 4.1.5 Actions undertaken by the CMT and Cabinet have included:
- Departmental management teams have reviewed the budget position monthly and taken appropriate action including action plans to address budget issues. These have been acknowledged in corporate budget reports;
 - The regular reports to CMT have included a summary of progress with savings proposals, additional pressures and risks using a red, amber and green approach with the focus on red and amber issues;
 - Savings were brought forward as part of a two stage budget process for 2015/16 at December 2014 Council;
 - The capital programme has been reviewed during the year, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the Council requires to borrow to fund the capital programme has reduced the costs of financing borrowing which has been reflected in the revenue outturn position;
 - Where possible all opportunities have been taken to capitalise expenditure relieving pressure on the general fund; and
 - Review of reserves and provisions, in particular the commitments within the capacity reserve including to support transformation costs and as a risk contingency against exceptional in-year spending pressures.

- 4.1.6 The overall financial position for 2014/15 for the Council is detailed in this report. In summary, the Council has a balanced budget position and an improved reserves position. The capital programme spend is £108.8m.
- 4.1.7 In conclusion, the Council has successfully managed the financial challenges during 2014/15 by taking positive action and balancing the demands of local circumstances and the financial constraints of the national economic climate, with the outcome of delivering a balanced budget position.
- 4.1.8 The Council's budget for 2015/16 includes spending reductions of £25.1m and a further budget gap for 2016/17 exceeding £10m. The budget gap is expected to increase when the government updates its national expenditure plans, a first indication of which might be given in the Chancellor's post-election budget on 8 July. Cabinet may need to review budget plans in light of this.
- 4.1.9 The Council remains committed to its strategy in managing Council finances effectively and efficiently over the medium term.

4.2 Financial Report – Revenue Outturn

- 4.2.1 The Council's overall revenue outturn position is a balanced position on the Council's revenue budget 2014/15 after drawing down £0.6m from reserves, which is less than the £3.2m set aside when closing the accounts last financial year to support social care pressures. The graph below summarises the revenue outturn position by the Directorates during 2014/15, with the position at probable outturn shown as empty bars.



- 4.2.2 A breakdown of the outturn by Directorate and explanation of the major variations is provided in Appendix A.
- 4.2.3 The Dedicated Schools Grant shows an under spend of £5.5m against a budget of £118.2m. Schools Forum is responsible for decisions related to the Dedicated Schools Grant. This has been included for information purposes only. In accordance with accounting guidance, the under spend has been carried forward to next financial year.

4.3 Financial Report – Reserves

- 4.3.1 The Council's departmental reserves and the capacity building reserve are monitored throughout the year as part of budget monitoring and feed into the budget setting process accordingly. The next table summarises the balance for all reserves at the end of 2014/15 and the estimated position at the end of 2015/16 before new commitments that may be required to deliver savings to close the 2016/17 budget gap.

	2014/15 £k	2015/16 £k
Earmarked Reserves		
Departmental Reserve	6,716	424
Schools Capital Expenditure Reserve	1,151	1,151
Future Cities Reserve	2,073	0
Insurance and Other minor reserves	4,364	4,373
Risk Management Contingency		657
Capacity Building Reserve	8,774	4,146
Subtotal - Earmarked Reserves	23,078	10,751
General Fund Balance	6,000	6,000

- Departmental Reserves – The amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the council in the following financial year.
- Schools Capital Expenditure reserves and Insurance and Other Minor reserves are held on behalf of others and sums that we are independently advised to hold, e.g. insurance reserve.
- Risk Management Contingency – This reserve was created in the 2015/16 budget process by transfer from the capacity building reserve.
- Capacity Building Reserve – This reserve is held to meet one off costs of service transformation and the delivery of savings within the MTFs. The balance on the capacity building reserve at March 2015 is £5.4m higher than forecast when the 2015/16 budget was set due to the reduced drawdown to balance the budget (£2.5m), a higher level of capitalisation (£1.2m), costs of change slipping into 2015/16 or no longer required (£1.4m), the release of additional other reserves (£0.2m) and other changes in the timing of spending commitments (£0.1m).
- General Fund – The general fund will be maintained at £6m and this is consistent with the current budget strategy.

4.3.2 The majority of reserve balances are set aside for specific purposes and a significant element will be required during 2015/16. They are therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

4.3.3 The capacity building reserve forecast reduces to £4.146m during 2015/16. It currently includes an initial estimate of change costs to support delivery of 2015/16 savings. Further commitments will be needed to provide investment to drive the level of savings to support the 2016/17 budget strategy.

4.4 Financial Report – Capital

4.4.1 The planned capital programme for the financial year was £260.8m. Slippage of expenditure from 2013/14 of £24.2m increased the agreed budget at 1 April 2014 to £285.0m. Throughout the year the capital programme was regularly reviewed and finally reduced to £127.9m through slippage and savings. Much of the slippage has been built into future budgets as part of setting the 2015/16 budget.

4.4.2 Capital expenditure during 2014/15 totalled £108.8m as shown in the summary table below:

Capital Programme 2014/15			
Capital Programme by Directorate	Budget 01/04/2014	Revised Budget	Actual Expenditure
	£000	£000	£000
Governance	69	69	20
Chief Executives	671	130	65
Adult Social Care	3,860	1,190	975
Communities	3,954	3,114	2,398
Growth & Regeneration	46,496	26,450	26,164
Resources - CHS	33,369	24,567	21,889
Resources - Renewable Energy	26,200	500	62
Resources - Other	75,080	61,387	52,963
Invest to Save	95,274	10,500	4,319
Total	284,973	127,907	108,855
Financed by:			
Grants & Contributions	37,081	34,545	35,561
Capital Receipts	9,764	1,887	2,905
Borrowing	238,128	91,475	70,389
Total	284,973	127,907	108,855

4.4.3 The Council and CMT have agreed to reduce and rephase some projects in the programme during the year to reduce the impact on financial resources or to reflect changing demographic needs. Other projects have been subject to delays which have led to budgets being slipped to 2015/16. Significant projects that contributed to the overall reduction of capital budget during the year from £285m to £127.9m include:

Growth & Regeneration

- £ 4.3m Public Realm
- £ 3.3m Affordable Housing
- £ 3.2m Roads & Bridges projects
- £ 3.0m Joint Venture

Resources

- £ 2.8m ICT Projects – rephasing and slippage
- £ 2.0m Cost of Disposals
- £ 3.3m Waste Management Strategy
- £ 8.9m New School Places

Invest to Save

- £84.8m Invest to Save
- £25.7m Renewable Energy project

4.4.4 The Invest to Save outturn of £4.3m in 2014/15 includes expenditure on delivering energy efficiency measures across the council's buildings portfolio including schools. The schemes are self-funding in two ways:

- Firstly, introducing energy efficiency measures through the replacement of plant inside the buildings driving down energy costs (for example in our swimming pools through new filters and a combined heat and power unit for the regional pool, more efficient lighting in car parks and replacing school boilers); and
- Secondly, putting solar panels on roofs to provide a cheaper source of energy for the buildings and an income stream by selling surplus energy to the grid (including schools and the central library).

4.4.5 The capital programme is financed through borrowing, capital receipts, grants and contributions. Although the amount of borrowing required has reduced due to slippage in the capital programme since the MTFS was approved, the Council will need to borrow £70.4m to fund 2014/15 capital expenditure.

4.5 Financial Report – Treasury Management Activity for 2014/15

4.5.1 The Council is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council's low risk appetite ensuring that security and liquidity are achieved before considering investment return.

4.5.2 Another role of treasury management is to fund the Council's capital programme. The programme provides a guide to the borrowing needs of the Council and the planning of a longer term cash flow to ensure capital obligations are met. The management of long term cash may involve arranging short or long term loans or using longer term cash flow surpluses.

4.5.3 The treasury activity for the Council during 2014/15 is compliant with the Treasury Management Strategy approved in February 2014. Investment and borrowing activities include:

- a. Investment – The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term and only invest with Barclays (the Council's current banking provider), the Debt Management Office and Local Authorities. As at 31 March 2015 the Council's external investments totalled £9.0m and have yielded interest at an average rate of 0.29% in the financial year 2014/15. Investments were placed for short periods to cover daily cash flow fluctuations.
- b. Borrowing – In 2014/15 the Council increased its borrowing by £52m. Although £70m was required to fund the capital programme, due to timing issues surplus cash balances were utilised to off-set the actual borrowing requirement in the year. The borrowing has been taken out over a range of periods to best fit the Council's maturity profile of debt. Also the best possible interest rate has been sought in line with the budget for borrowing, including the continuation of the Council benefitting from reduced interest rates on long term PWLB loans by 20 basis points (0.2%) due to it submitting borrowing plans to government.

Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made.

4.5.4 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2009 SoRP this now includes the liability for the Private Finance Initiative (PFI) agreement and the 2010 Code of Practice has revised the way the Council accounts for some leases which also impacts on the CFR.

4.5.5 In 2014/15 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2014	365,748
New Capital Expenditure Financed by Borrowing	70,389
Minimum Revenue Provision for Debt Repayment	(8,791)
Minimum Revenue Provision for PFI	(1,487)
Minimum Revenue Provision for Leases	(638)
Abortive costs for Wind & Solar Project	(2,808)
Closing Capital Financing Requirement 31 March 2015	422,413

4.5.6 As part of the setting of the treasury strategy, the Council sets annual prudential indicators to measure effectiveness of treasury management and reports against these indicators during the financial year. The indicators have not been breached during 2014/15.

4.5.7 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B along with an update on treasury management activity in Appendix C.

4.6 Financial Report – Performance Monitoring

4.6.1 An outline of performance against key indicators can be seen in Appendix C.

5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6 ANTICIPATED OUTCOMES

6.1 To approve the reserves position of the Council.

6.2 To note the final outturn position for revenue and capital for 2014/15 for the Council.

6.3 To note the prudential indicators and performance figures for the Council.

7. REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for the 2014/15 financial year forms part of the closure of accounts and decision making framework culminating in the production of the Statement of Accounts.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9. IMPLICATIONS

9.1 This report does not have any implications effecting legal, or human resource issues.

9.2 Members must have regard to the advice of the Section 151 Officer.

10. BACKGROUND DOCUMENTS

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

Detailed monthly budgetary control reports prepared in Departments.

APPENDIX A - REVENUE MONITORING REPORT AT END OF MARCH 2015

Probable Outturn £k	New Department (showing previous department and service area)	Budget 2014/15 £k	Spend 2014/15 £k	Variance 2014/15 £k
0	ASC - Directors Office	438	439	1
629	ASC - Care Services	6,748	6,872	124
-298	ASC - ISP	35,303	35,489	186
241	ASC - Quality and Information	567	583	16
614	ASC - Finance and Organisational change	-1,898	-1,500	398
1,186	TOTAL ADULT SOCIAL CARE, HEALTH AND WELLBEING	41,158	41,883	725
0	Cex- Chief Execs Office	327	297	-30
71	Cex - Chief Execs Departmental Support	117	174	57
71	TOTAL CHIEF EXECUTIVE'S DEPARTMENT	444	471	27
2,317	CHS - Education and Resources	8,604	10,581	1,977
0	CHS - Safeguarding families and communities	0	0	0
	DSG	5,440	5,440	0
2,317	TOTAL CHILDREN SERVICES	14,044	16,021	1,977
1,702	CHS - Strategy, Commissioning and Prevention	20,336	21,501	1,165
971	ASC - Strategic Commissioning	2,836	3,208	372
0	Ops - Public Health	0	-11	-11
-366	Savings to be identified	0		0
	DSG	17,664	17,664	0
2,307	TOTAL COMMUNITIES	40,836	42,362	1,526
-175	Cex - Legal & Governance	5,029	4,845	-184
120	Cex - Communications	568	738	170
0	Cex - Human Resources	1,317	1,219	-98
-49	Ops - Neighbourhoods	612	458	-154
346	Ops - Commercial Operations	-1,564	-1,254	310
242	TOTAL GOVERNANCE	5,962	6,006	44
155	Cex - Growth and Regeneration	0	0	0
-1,175	OPS - Planning Transport and Engineering	15,075	13,624	-1,451
-1,020	TOTAL GROWTH AND REGENERATION	15,075	13,624	-1,451
0	SR - Director's Office	226	226	0
-3,174	SR - Corporate Services	21,427	17,341	-4,086
0	SR - Environment Capital	3,904	3,904	0
0	SR - Internal Audit	315	307	-8
0	SR - Insurance	1,284	1,113	-171
14	SR - Strategic Client Services	5,428	5,890	462
0	SR - Peterborough Serco Strategic Partnership	9,795	9,684	-111
0	SR - ICT	4,330	4,430	100
60	SR - Waste and Operational Services Management	12,618	12,674	56
0	SR - Cultural Services	3,565	3,512	-53
14	SR - Registration and Bereavement	-915	-1,034	-119
-93	SR - Westcombe Engineering	7	-89	-96
1,415	CHS - Resources	1,036	2,793	1,757
0	OPS - Planning Transport and engineering	155	145	-10
	DSG	-23,104	-23,104	0
-1,764	TOTAL RESOURCES	40,071	37,792	-2,279
-3,019	Capacity Fund Contribution		-569	-569
320	OUTTURN – SURPLUS (-) / DEFICIT (+)	157,590	157,590	0

Key Variances:

Adult Social Care, Health and Wellbeing - £0.7m overspend

- This includes one off project costs and interim support to support the delivery of an adult social care transformation programme totalling £1.5m and as reported to September Cabinet will be partly offset by a one off contribution from the capacity fund.
- A pressure of £0.2m relates to a recent legal case, known as the West Cheshire judgement. This means that Deprivation of Living (DOLS) assessments now need to be applied in domestic settings, such as extra care and supported living. Previously they were restricted mainly to residential and hospital settings.
- Further demographic pressures of £0.2m, are offset by overachievement of savings targets (£0.6m) and other departmental actions (£0.6m).

Chief Executive Department - balanced

- Specialist HR work to support formulation of the budget proposals offset by other departmental actions.

Children Services - £2.0m overspend

- Demand for children social care services and the complexity of the cases has increased within Peterborough meaning that the demand for these services is over and above the budget, which has been addressed in future financial years. These costs relate to the recruitment and retention of social workers including agency social workers to meet increased workloads, essential to support vulnerable children.

Communities - £1.5m overspend

- The increased demand in children social care cases within Peterborough increases pressure on providing placements for children coming into local authority care resulting in an overspend of £0.7m. The council has a statutory duty to provide care.
- The continued costs of supporting independent living clients within adult social care supporting people budget is £0.2m overspent.
- Adult social care commissioning services includes transformation costs of £0.8m which will be offset by a one off contribution from the capacity fund.
- The income target for selective licensing is showing a £0.2m pressure.
- Partly offset by staffing savings of £0.2m and other departmental action/savings of £0.2m.

Governance - £0.0m balanced

- The Coroners and Justice Act 2009 requires the council to employ a medical examiner. There has been a delay nationally in implementing the reforms and therefore there is a one off saving in 2014/15 of £0.2m.
- The council held local elections around the same time as the European elections during May 2014. A one off saving of £0.1m has arisen following a reimbursement of costs for the European elections.
- Following the 2014 elections, the costs of current Members has not increased, a one off saving of £0.1m has been confirmed. Savings in future financial years is dependent on the annual review of the members allowance scheme and may be impacted by the result of the local elections.
- Achieving income budgets within commercial operations is a challenge for the council, with a shortfall of £0.2m on car parking income and £0.1m on market income.
- There is also a £0.3m cost pressure relating to temporary staffing offset by other departmental actions (£0.2m).

Growth and Regeneration - £1.5m underspend

- An underspend of £0.4m relates to a contract saving mechanism within the concessionary fares budget which is not due for review until 2016 and demand and increased costs being lower than budgeted for.
- There are employee savings of £0.6m, additional net income and grant income of £0.3m and other departmental actions of £0.2m.

Resources - £2.3m underspend

- Since the budget was set, the funding assumption for the adoption reform grant has reduced resulting in a pressure of £0.6m on the council's financial position. It has also now been identified that there is a shortfall in the Education Services grant of £0.2m.
- The support and education budgets transferred into the Resources department during 2013/14. Some of the budgets are demand led resulting in pressures in the following areas:
 - An increase in home to school transport provision requirements for secondary schools places caused an overspend of £0.5m.
 - An overspend of £0.1m on the secondary school public finance initiative (PFI) contract energy costs being in excess of inflationary increases.
 - Increased demand for services to support children social care including business support and legal services of £0.3m after being partly offset by departmental actions.
- A refresh of the capital programme projects since the budget was set coupled with a reduction in forecast interest rates for the remainder of this year and borrowing requirements impacting on the minimum revenue provision has identified a one off underspend of £3.6m.
- The council has received one off income relating to the former agreement with Cross Keys for VAT shelter income of £1.0m
- There have been further savings identified of £0.1m reduced business rate levy payment, a dividend received from ESPO of £0.1m and a trading surplus of £0.1m at Westcombe Engineering.
- Additional income from an unexpected rise in bereavement services for the period December 2014 to March 2015 of £0.1m
- The council has increased the sundry debt provision by £0.6m, although it remains committed to recovering outstanding debt

Appendix B – Treasury Management Strategy – Prudential Indicators – 2014/15

- 1 The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:
 - Capital expenditure plans are affordable,
 - All external borrowing and other long term liabilities are within prudent and sustainable levels,
 - Treasury management decisions are taken in accordance with professional good practice.
- 2 In taking decisions in relation to the above points, the local authority is accountable by providing a clear and transparent framework.
- 3 The Code requires the Council to set a range of Prudential Indicators for the next five financial years. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council’s Annual Treasury Management Strategy.

Indicator One: Estimates and actual Capital Expenditure 2014/15

This indicator is the actual capital expenditure for the financial year.

	Indicator	Actual
Capital Expenditure	£260.8m	£108.8m

Indicator Two: Estimates of actual capital financing requirements and net borrowing

The Capital Financing Requirement (CFR) measures the Council’s underlying need to borrow money in the long term for capital purposes. It is calculated from various capital balances in the Council’s Balance Sheet.

	Indicator	Actual
CFR	£594.1m	£422.4m

Indicator Three: Affordability (1) Estimate of actual ratio of financing costs to net revenue stream

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt. This ratio has been revised to reflect the impact of finance lease adjustments.

	Indicator	Actual
Financing costs to revenue stream	7.1%	5.9%

Indicator Four: Affordability (2) Estimate of the incremental impact of capital investment decisions on Council Tax

This indicator is intended to show the impact of the Council’s decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done on the basis of the amount of the capital programme that was financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget. The revenue costs are divided by the estimated Council Tax Base for the year.

	Indicator	Actual
Incremental impact on Council Tax	(£72.13)	(£82.17)

Indicator Five: Net Debt and the CFR

This indicator ensures that over the medium term debt will only be for capital purposes and the Council should ensure that gross debt does not, except in the short term, exceed the total of CFR in the preceding year or for the current and next two financial years.

	Indicator	Actual
Gross Debt	£525.8m	£346.4m
% of Gross Debt to CFR	88.5%	82.0%

Indicator Six: External Debt Prudential Indicator

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is “prudent”.

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council’s cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

	Indicator	Actual
Authorised Limit for external debt	£817.3m	£306.0m
Operational Boundary for external debt	£666.7m	£306.0m

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the year.

“Other long term liabilities” include items that would appear on the balance sheet of the Council under that heading. For example, the capital cost of finance leases and the PFI agreement.

The Operational Boundary is a measure of the day to day likely borrowing for the Council, whereas the Authorised Limit is a maximum limit. The Code recognises that circumstances might arise when the boundary might be exceeded temporarily, should this occur it would be reported immediately to members of the Audit Committee and an explanatory report taken to the next committee meeting.

The following indicators take into consideration the capital programme over the life of the MTFS and the ability to phase the borrowing over this period. The indicators provide flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.

Indicator Seven: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing.

The limit is expressed as the value of total borrowing less investments

	Indicator	Actual
Upper limit for variable rate exposure	£195.0m	£0

Indicator Eight: Fixed Interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (excluding PFI and leases) which is at fixed rates secured against future interest rate movements. The upper

limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the great majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed rate interest exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the great majority of borrowing was at fixed rate to provide budget certainty.

	Indicator	Actual
Upper limit for fixed rate exposure	£779.8m	£306.0m

Indicator Nine: Prudential limits for maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The limits were as follows:

Period	Upper Limit Estimate	Actual Borrowing
Under 12 months	40%	11%
1 – 2 years	40%	4%
2 – 5 years	80%	7%
5 – 10 years	80%	5%
Over 10 years	100%	73%

Indicator Ten: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

The Corporate Director Resources has therefore sought the advice of Capita Asset Services, the Council's treasury advisors, who recommended that, given the structure of the Council's balance sheet and its day to day cash needs, it would be reasonable to maintain the limit for investments with life spans in excess of 1 year to £25m. Consequently, it is proposed to keep the limit for investments that may be deposited for more than 1 year at £25m for 2014/15 and later years.

In accordance with the approved Treasury Management Strategy the Council currently has no investments of more than 364 days.

Appendix C – Performance Monitoring

1. Treasury Management Update – March 2015

1.1 Economic Update

The following paragraphs are based on information from the Council's Treasury Advisors (Capita Asset Services)

1.1.1 Having slowed towards the end of 2014, the economic recovery does appear to have turned upwards in the early part of 2015. Whilst there has been a slight reduction in the service sector, both manufacturing and construction are improving. The Quarter 4 Gross Domestic Product (GDP) figures indicate that recovery has become more balanced. Indications are that export growth will remain slow, and, to counter the strength of sterling, exporters have further cut sterling prices to remain competitive.

1.1.2 Employment figures are improving with unemployment down to 5.7%. Consumer Price Index (CPI) Inflation also fell to a record low of 0.3% due mainly to transport costs, although this was partly off-set by price rises in clothing. With gas price cuts expected and the impact of reduced oil prices still to be fully reflected, analysts expect a temporary period of deflation during 2015.

1.1.3 General business lending has seen a steep downward curve as firms are repaying more external debt than they are taking out. Business confidence remains high overall. The market expects the first base rate increase to be in Quarter 1 2016.

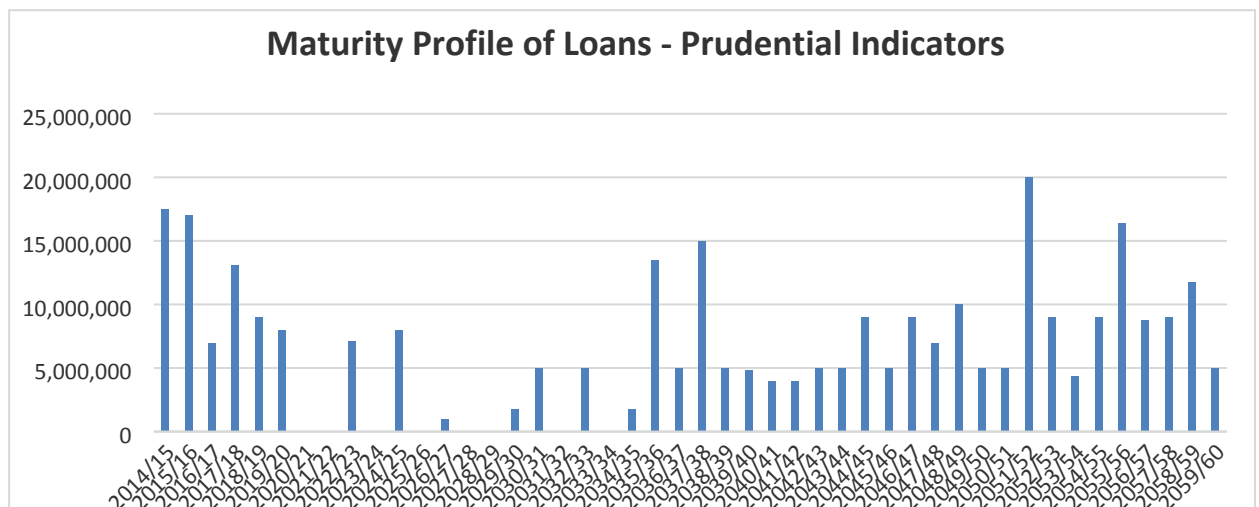
2.1 Borrowing

2.1.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.

2.1.2 The Council's borrowing as at 31 March was £346.4m. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £817.3m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £666.7m. The table below shows a breakdown of the borrowing:

	31 Mar 2014	31 Mar 2014	31 Mar 2015	31 Mar 2015
Borrowing	Amount (£m)	Average Interest Rate	Amount (£m)	Average Interest Rate
Long Term:				
Public Works Loan Board	149.4	4.38%	234.4	4.09%
Market Loans	17.5	4.53%	17.5	4.53%
Local Enterprise Partnership	0.1	0.00%	3.1	0.00%
Short Term:				
Local Authorities	87.0	0.9%	51.0	1.58%
Total 'Market' Borrowing	254.0		306.0	
Public Finance Initiative & Leases	40.1		40.4	
Total Borrowing	294.1		346.4	

2.1.3 The graph below shows the maturity profile of the Council's debt as at 31 March 2015:



*Please note 2014/15 includes £17.5m of market loans which are repayable in the long term but are classed as current year loans due to a callable option in the loan agreement.

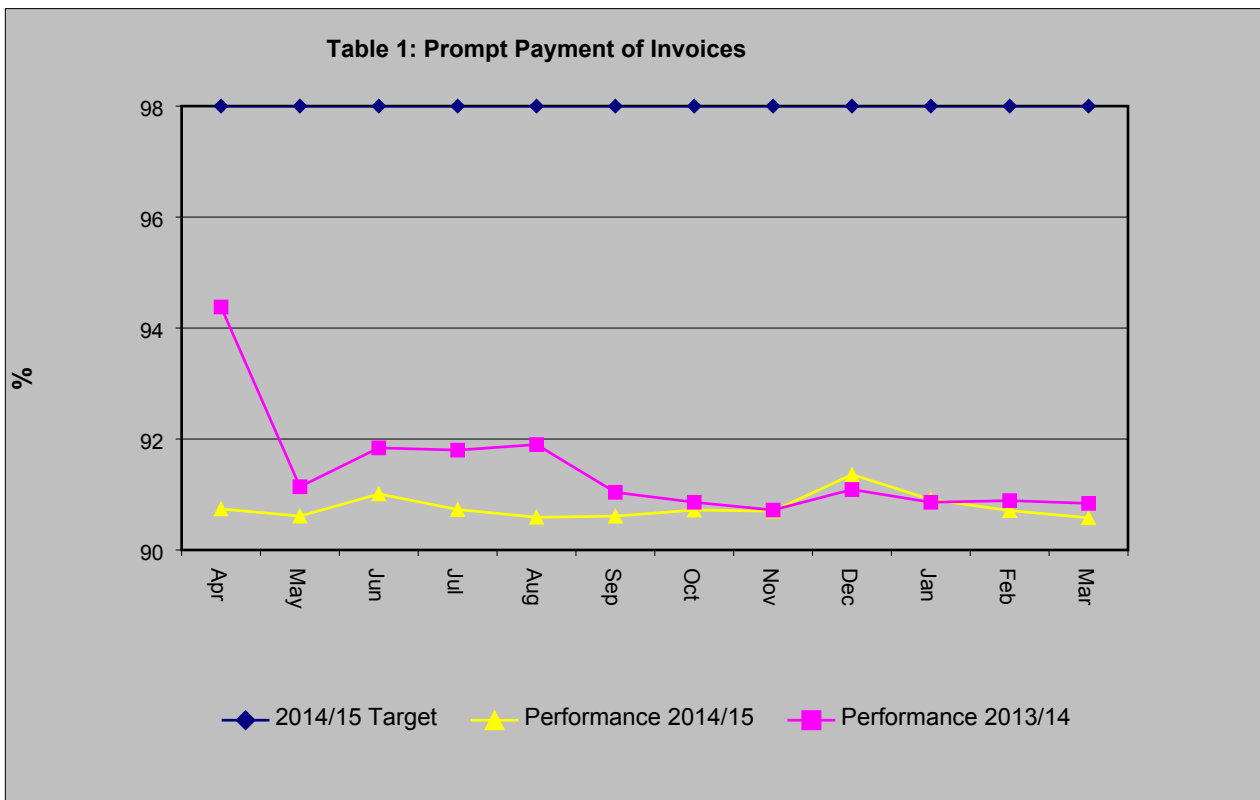
3.1 Investments

3.1.1 The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclays (the Council's banking provider), Bank of Scotland, the Debt Management Office and Local Authorities.

2. Prompt Payment of Invoices (Invoices paid within 30 Days)

The cumulative position on prompt payment of invoices as at 31 March 2015 was 90.58 % which is below the target of 98% and 0.26% below the previous year's performance (90.84%). The current year performance is shown alongside the equivalent figures for 2013/14 in table 1.

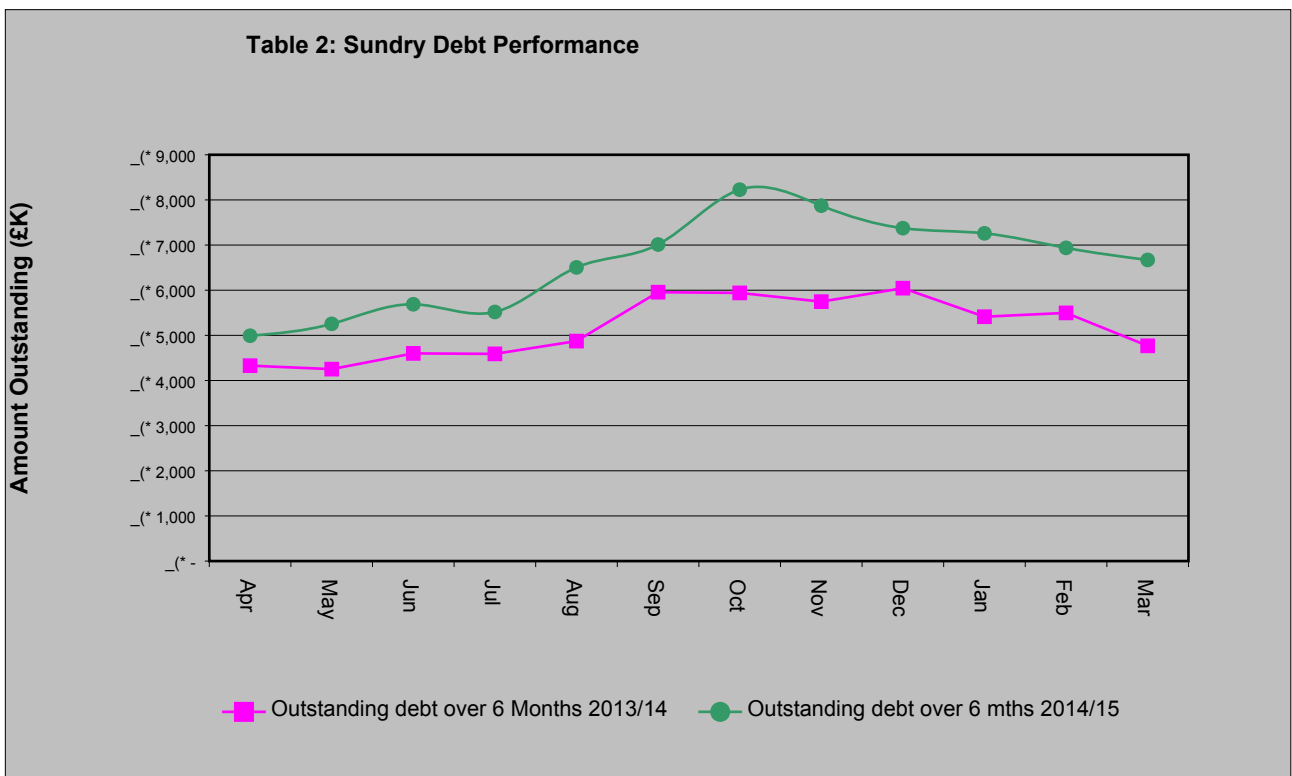
Performance against the prompt payment of invoices indicator has been adversely affected by current business processes which require intervention from officers across the council. It is anticipated that when the council changes financial system during 2015/16 business processes will be improved.



3. Sundry Debt Performance

The total outstanding sundry debt at 31 March 2015 is £14.35M, although £3.67M is not overdue and 53.52% is less than six months old. Of the overall debt, £6.67M is in excess of six months old compared to £4.77M at the end of 2013/14. Table 2 shows both years. The amount of debt written off for 2014/15 to 31 March 2015 is £35K.

The Sundry Debt team continue to prioritise and target the higher value debts, whilst at same time ensure that all stages of the recovery process are tight and that debts are progressed quickly. A review is underway to recover older debt.

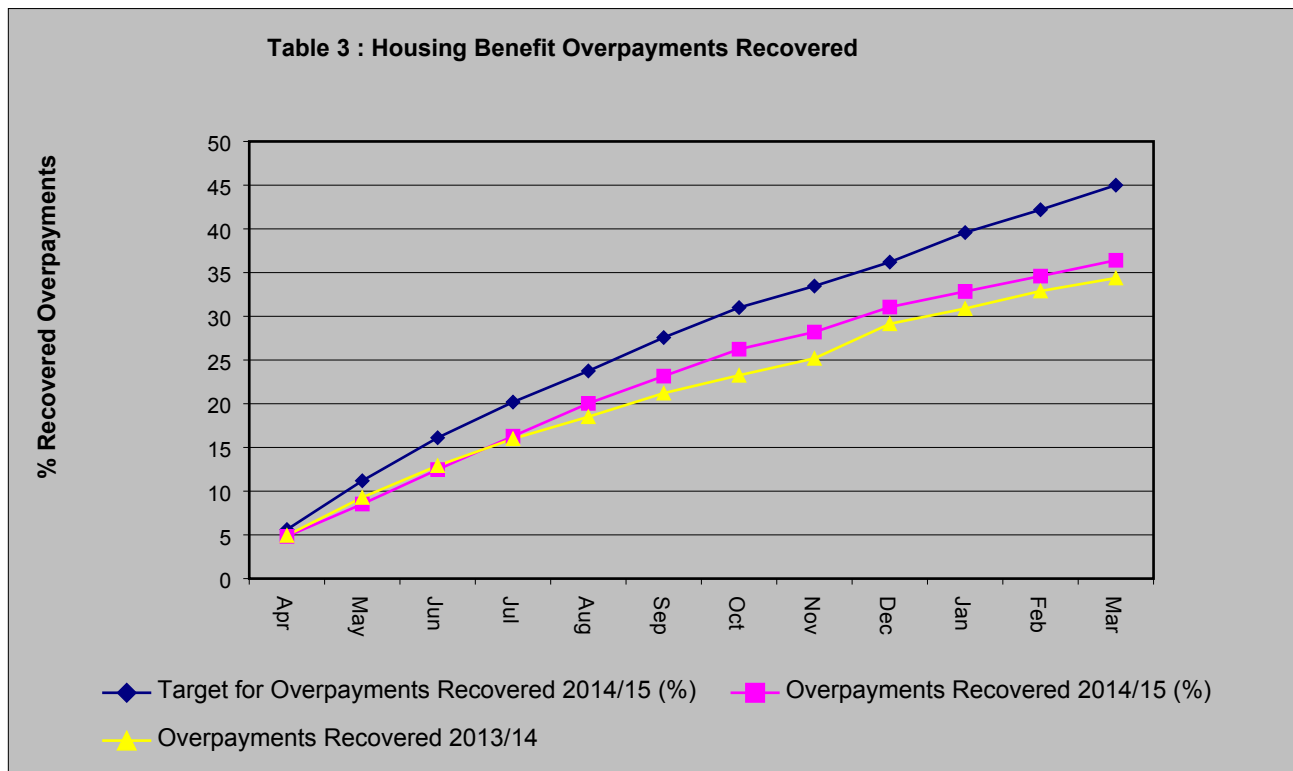


4. Housing Benefit Overpayments

Table 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2014/15 and the 2013/14 figures.

Housing benefit overpayment collection as at the 31 March 2015 was 36.41% which is below the target of 45.0% but 2.03% higher than the figure for March 2014 (34.38%).

The focus for 2015/16 will be around maximising recovery, using the powers available, for example direct attachment of earnings (DEA). Also £69K was recovered via attachment of benefit (AOB) in 2014/15 (an increase of £49K from the previous year). The work position in respect of Housing Benefit is significantly better than 12 months ago and therefore the number and value of overpayments will reduce.



5. Council Tax and Business Rates Collection

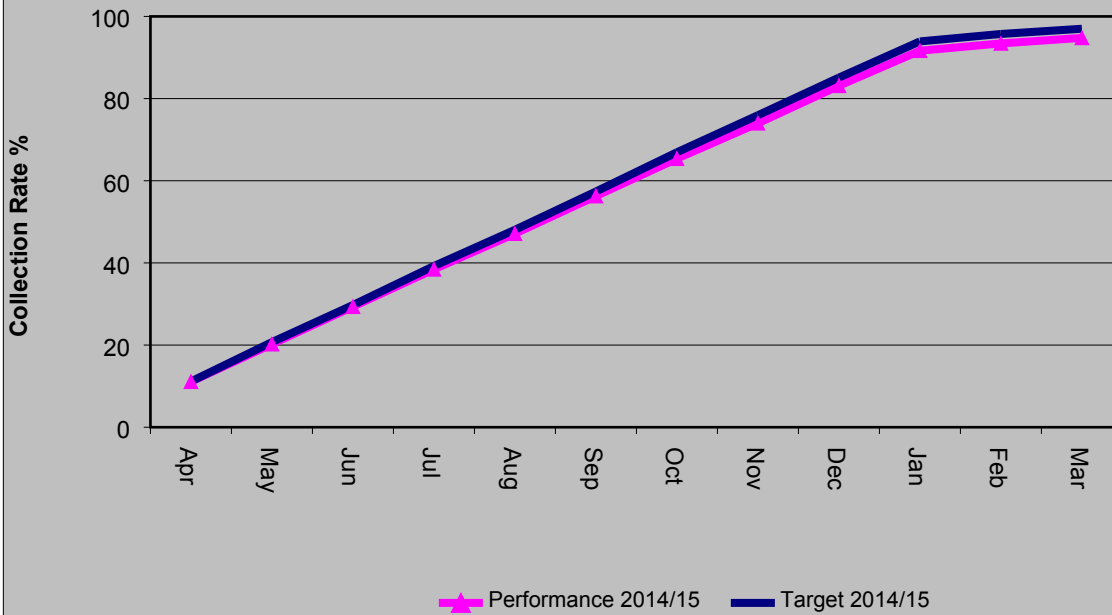
Tables 4 and 5 show the performance for the collection of Council Tax and Business Rates for the period to date.

6. Council Tax Collection

In year council tax collection at 31 March 2015 is 94.78%, which is 0.48% less than the amount collected by this stage in 2013/14.

The administration of the council's local council tax support scheme remains challenging and continues to impact overall council tax collected in the year. However, proactive work continues in terms of recovery of outstanding amounts from previous years. As at 31 March 2015 a further 1.91% of 2013/14 council tax has been collected and now stands at 97.17% (2013/14, 95.26%)

Table 4: Council Tax Collection

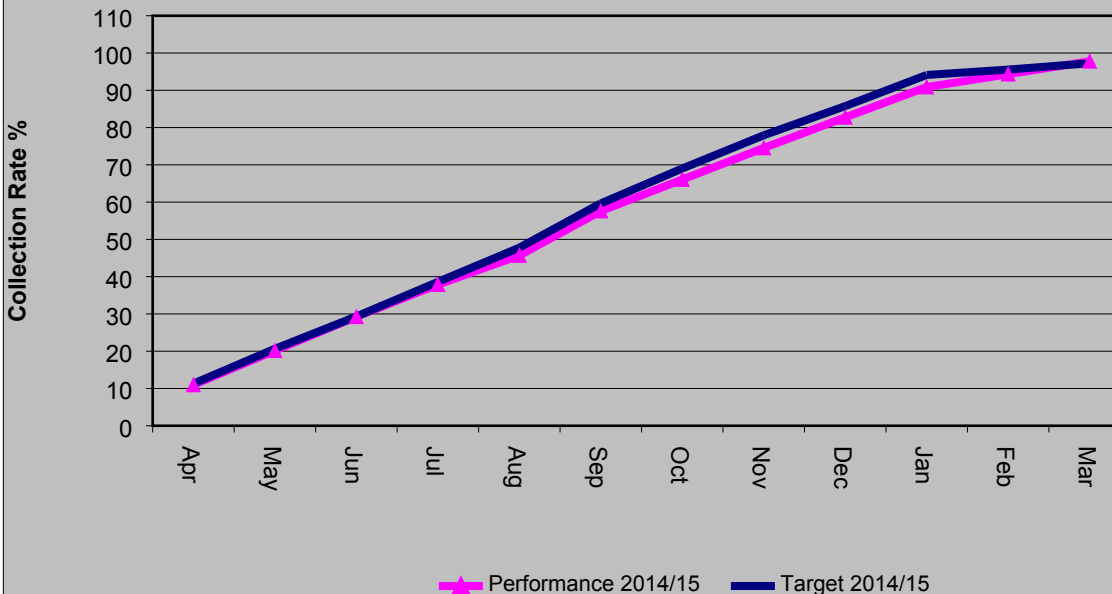


7. Business Rates

The in-year collection of business rates as at 31 March 2015 was 97.78%, which is 0.53% above the target set and an increase of 0.86% compared with 2013/14. This was the best collection rate achieved in Peterborough since 2007/08.

Under the business rate retention scheme introduced in April 2013 the council benefits from any growth in business rates and it is all the more important to ensure robust collection.

Table : Business Rate Collection



RESPONSE TO ACTION POINT

AUDIT COMMITTEE	APPENDIX D
8 FEBRUARY 2016	PUBLIC

Use of Regulation of Investigatory Powers Act 2000 (RIPA)

ACTION POINT 9 November 2015 – To provide feedback to Audit Committee Members over the current guidance that the Care Quality Commission had provided on their website over the use of RIPA and how the guidance aligned with the Data Retention and Investigatory Powers Act 2014.		
Contact Officer (s)	Ben Stevenson - Compliance Manager (Governance)	452387
Response:		
	<p>The Care Quality Commission (CQC) have issued two documents on the use of surveillance. One is aimed at the families of those receiving care, http://www.cqc.org.uk/sites/default/files/20150212_public_surveillance_leaflet_final.pdf, and provides advice for a family member considering monitoring the care of their relative. RIPA would not apply to the family member although they should be aware of the impact on privacy. The second document, http://www.cqc.org.uk/sites/default/files/20150617_provider_surveillance_information.pdf, does relate to service providers who may be working on our behalf or any work we undertake with those receiving care. It does define what is covert surveillance is and that RIPA may apply. As part of our communications plan to promote RIPA awareness, we will include reference to the CQC and that any consideration of surveillance should refer to the RIPA policy.</p>	

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 8
8 February 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Aitken, Chair of Audit Committee	
Contact Officer(s):	Karen Dunleavy, Democratic Services 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.

DATE: 29 JUNE 2015			
		Section / Lead	Description
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
	INFORMATION AND OTHER ITEMS		
	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)

DATE: 21 SEPTEMBER 2015			
		Section / Lead	Description
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.
	INFORMATION AND OTHER ITEMS		
	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)

DATE: 9 NOVEMBER 2015			
		Section / Lead	Description
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
	INFORMATION AND OTHER ITEMS		
	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)

DATE: 8 FEBRUARY 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Karen Dunleavy	
	External Audit: Annual Audit Letter and Other External Reports.	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	INFORMATION AND OTHER ITEMS		
	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)

DATE: 21 MARCH 2016			
		Section / Lead	Description
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
	INFORMATION AND OTHER ITEMS		
	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)

To be rescheduled:			
		Section / Lead	Description
	Outcome of the Code of Conduct Review	Governance Ben Stevenson	Outcome of second review following Audit Committee action point 22 September 2014