

AUDIT COMMITTEE

MONDAY 12 FEBRUARY 2018

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 20 November 2017 **3 - 10**

4. Ernst & Young Audit Plan for the Year ended 31 March 2018 **11 - 60**

The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit.

5. Certification of Claims and Returns Annual Report 2016-17 **61 - 70**

The purpose of this report is to introduce the certification of claims and returns annual report from Ernst & Young (EY), the Council's external auditors.

6. Internal Audit Plan 2018/19: Planning Approach ad Emerging Themes **71 - 76**

To provide the Committee with an update on progress in developing the audit plan.

7. Consultation on 2018/19 Treasury Management Strategy **77 - 104**

To provide the Treasury Management Strategy 2018/19 to Audit Committee for approval of the policies and Prudential Indicators before it is included in the MTFS.

8. Consultation on 2018/19 Asset Investment Strategy 105 - 122

To provide the Asset Investment Strategy 2018/19 - 2020/21 to Audit Committee for approval before it is included in the MTFS.

INFORMATION AND OTHER ITEMS

9. Use of Regulation of Investigatory Powers Act 2000 (RIPA) 123 - 126

10. Approved Write-Offs Exceeding £10,000 127 - 136

11. Feedback Report 137 - 140

12. Work Programme 141 - 154



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<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

Committee Members:

Councillors: Nawaz, Mahabadi, D Over (Vice Chairman), Bull, Aitken (Chairman), K Sharp and A Shaheed

Substitutes: Councillors: R Ferris, Lillis, King and B Saltmarsh

Further information about this meeting can be obtained from Dan Kalley on telephone 01733 296334 or by email – daniel.kalley@peterborough.gov.uk



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 20 NOVEMBER 2017
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Mahabadi, Bull, S Nawaz, King, Shaheed

Officers in
Attendance:

Marion Kelly, interim Corporate Director Resources
Peter Carpenter, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Ian Pantling, Financial Accounting and Control Manager
Kevin Dawson, Head of Resilience
Karen Dunleavy, Democratic Services Officer

Also in

Attendance: Kay McLennan, Manager Government and Public Audits, Ernst & Young

26. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Aitken. Councillor King was in attendance as substitute.

27. DECLARATIONS OF INTEREST

No declarations of interest were received.

28. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 SEPTEMBER 2017

The minutes of the meeting held on 25 September 2017 were agreed as a true and accurate record.

29. EXTERNAL AUDIT: ANNUAL AUDIT LETTER AND OTHER EXTERNAL REPORTS

The Audit Committee received a report in relation to Annual Audit letter of Ernst Young LLP in accordance with The National Audit Office's 2015 Code of Audit Practice.

The purpose of the report was to present the formal letter setting out the detailed findings already reported to 25 September 2017, Audit Committee.

The Service Director Financial Services introduced the report and requested the Committee to note the Annual Audit Letter.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The grant equalisation reserve would be used to balance the 2017/18 budget. The Council's plans for 2019/2020 were not to rely on grant budgets.
- The statement of accounts restatement outlined in page 24 of the report had been in relation to a new format requirement for all Councils. The new format had been intended to provide a more user friendly approach for the general public. None of the figures that had been restated, had changed.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

30. ERNST & YOUNG PROGRESS REPORT ON 2017/18 AUDIT

The Audit Committee received a report in relation to the Ernst & Young LLP Progress Report on 2017/18 Audit.

The purpose of the report was to provide an outline to Members of the Ernst & Young progress report 2017/18.

The Service Director Financial Services introduced the report and requested that Members note the report.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The external auditors would review the content of the Medium Term Financial Plan and whether it would be robust enough to manage the size of the budget gap and to identify what the risks would be for the Council.
- The external audit fee would remain the same even if the work was completed at an earlier date.
- All the audit progress letters would appear on the Council's web site. Ernst & Young would be challenged by other auditing companies to ensure that the audit process for the Council was being conducted effectively.
- All audit work previously reported to the audit commission, which no longer existed and this was a key issue for CiPFA regarding the level of financial regulation.
- A suite of audit tools would be used to analyse data capture such as the payroll analytics tool. Monthly trends and pay rise data would be explored in order to streamline the audit process.
- Anti-fraud risk assessments undertaken in regards to services which were outsourced such as payroll were captured in the external audit by ensuring that there had been no material misstatements. This task would be undertaken by conducting a series of substantive and control work including liaison with the internal audit team. The audit of the

outsourced payment systems would also include all transactions within the Council's accounts such as schools.

- External contracts outside of the Council's control such as academies or care providers would not show in Council's accounts.
- Funding for academies and foundations was out of the Council's control and therefore would not be included in the audit of the accounts.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

31. INTERNAL AUDIT: MID-YEAR PROGRESS REPORT

The Audit Committee received a report in relation to the Internal Audit: Mid Year Progress Report.

The purpose of the report was to provide Members with an overall opinion on the soundness of the control environment internal audits from the Annual Audit Plan 2017 / 2018 as at 30 September 2017.

The Chief Internal Auditor introduced the report and requested Members to note the contents.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The self service Human Resources Information Technology systems detailed within the report on page 58 had been highlighted as a risk due to the project being put on hold. This would be picked up by the Audit Team when the project restarts.
- The Internal Audit Team were due to audit the payroll system, which would be conducted alongside EY, the Council's external auditors. The team would ensure that audit work would not be duplicated.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

AGREED ACTIONS

The Audit Committee also agreed that:

1. The Chief Internal Auditor would provide details over when the self service HR IT systems project would be restarted.

32. RISK MANAGEMENT: STRATEGIC RISKS

The Audit Committee received a report in relation to the Risk Management – Strategic Risks.

The purpose of the report was to outline the risk management approach to corporate and services levels across the Council, which sought to identify key risks which might prevent the Council's priorities from being successfully

achieved. The Committee was also informed that the risk management reports would be service led in future and overseen by a Risk Management Board. The Corporate Director of Growth and Regeneration would be the corporate sponsor for the Risk Register and would provide the update to Members at future Audit Committee meetings.

The Interim Corporate Director of Resources and the Head of Resilience introduced the report and requested the Committee to comment on and note the latest Risk Management Report.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- There had been a great deal of work being undertaken by the Council to mitigate the risk in regards to safeguarding. The number of actions to mitigate risks would have presented safeguarding as a risk on the register.
- Compared to county risk registers, the red and amber risks were reflective in terms of areas such as safeguarding.
- A half yearly sense check would be conducted on the risk register by Corporate Management Team.
- It had been too early to identify whether there were significant risks politically or economically in regards to the Combined Authority, however, they had been using Peterborough's risk management tool in order to monitor their risks.
- Significant stress factors such as increased health resource requirements, which may impact the Council, was monitored through the impact of social and demographic change risk on the register.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the report.

AGREED ACTIONS

The Audit Committee agreed that:

- The Interim Corporate Director would arrange a briefing note for Members which would outline the measures being undertaken to mitigate the risks in regards to safeguarding.

33. Treasury Management: Strategy 2018-2028

The Audit Committee received a report in relation to the consultation on 2018/19 Treasury Management Strategy.

The purpose of the report was to provide Members with a draft narrative of the Treasury Management Strategy 2018/19 for comment and input on Treasury Management policies before receipt of a completed revised version in February 2018 once the Capital Programme for the next 10 years was agreed.

The Service Director Financial Services introduced the report and asked Members to review and comment on the draft 2018/19 Treasury Management

Strategy (TMS) before a final strategy was produced once the Revenue Budget and Capital Programme were finalised in February 2018.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Some Section 106 money agreements were specific and could only be used for those purposes. There were many developers that would challenge how Section 106 funding had been implemented by the Council.
- The Council's interest rates on loans had been fixed and were borrowed from the Public Works Loan Board. The Council would review what the borrowing requirement was for future years and take advantage of low interest rates accordingly. However, the Government were monitoring how local authorities were using their Capital Programmes for investments out of areas and it was anticipated that the process would be tightening up. For this reason, the Council were looking very carefully at their Capital Programme and what the borrowing need was for the next three years in order to take advantage of the current low rates.
- The supported and unsupported borrowing details outlined on page 83 of the report were the only two debts that the Council had entered into of this type. The loans had been entered into outside of the Public Works Loan Board and were a type of borrowing that most councils had entered into.
- Capital programmes were used on highways, schools and rolling programmes such as updating IT and buildings.
- Members complimented officers on the way they reported to Committee.

The Audit Committee considered and **RESOLVED** (Unanimously) note the draft 2018/19 Treasury Management Strategy.

AGREED ACTIONS

The Audit Committee noted the report and agreed that the Service Director Financial Services would provide Members with:

1. A breakdown of the pre and post 2007/08 debt figures.
2. A further breakdown of the supported and unsupported borrowing totals.
3. An analysis of what loans entered into with the PWLB had been used for in order to identify the amount spent by highway, schools and rolling programme investments.
4. A full analysis on Private Finance Initiative funding.

34. IMPACT OF CHANGED STATUTORY DEADLINE FOR APPROVAL OF STATEMENT OF ACCOUNTS

The Audit Committee received a report in relation to the proposed change of statutory deadline approval of the statement of accounts.

The purpose of the report was to inform Members that there was a need to approve the deadline date for approval of the statement of accounts and amend the work programming schedule accordingly.

The Service Director Financial Services introduced the report and asked Members to consider and approve the proposal.

The Audit Committee considered the report and **RESOLVED** (Unanimously) in favour to change the dates and work programme to accommodate the change in the statutory deadline for approval of the Statement of Accounts.

AGREED ACTIONS

The Audit Committee agreed:

1. to change the dates and work programme to accommodate the change in the statutory deadline for approval of the Statement of Accounts.

INFORMATION AND OTHER ITEMS

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

The Committee noted that there had been no RIPA authorisations in this quarter.

36. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs amounts to report since 25 September 2017, which exceeded the Council's Financial Regulation threshold of £10,000.

37. FEEDBACK REPORT

The Chairman introduced the report and informed Members on the status of actions agreed at the previous meeting. Members also received a tabled briefing note in relation to investment loan arrangements to third party organisations.

The Audit Committee debated the report and and briefing note and in summary, key points raised and responses to questions included:

- There was no specific agreement on how the £30 million loan for Axiom housing would be drawn.
- There was governance in place to explore the financial health of Axiom Housing Association and other third party organisations.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

38. WORK PROGRAMME

The Service Director Financial Services introduced the report and informed Members that the Work Programme for the year 2017/18 was in line with previous years.

ACTION AGREED

The Committee noted the Work Programme 2017/18.

- The Audit Committee also agreed that the Corporate Director Growth and Regeneration would be invited to attend future meetings of the Audit Committee in relation to Risk Management items.
- The Internal Audit Plan would move from February to March 2018
- The statement of accounts would need to be presented to Members in July 2018.

7:00pm – 7:55 pm
Chairman

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AUDIT COMMITTEE	AGENDA ITEM No. 4
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly - Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Service Director - Financial Services	Tel. 384564

ERNST & YOUNG LLP AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2018

R E C O M M E N D A T I O N S	
FROM: Marion Kelly - Interim Corporate Director of Resources	Deadline date: 12 February 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the key risks set out by Ernst Young LLP in their report and their audit approach to meet those risks. 2. Identifies to Ernst Young LLP any other matters the Audit Committee considers will influence the audit. 3. Notes that the Public Sector Audit Appointments scale fee will apply unless additional work is required as set out on page 33 of the report. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.5

To consider the external auditors annual letter, relevant reports and the report to those charged with governance.

and Terms of Reference No. 2.2.1.7

To comment on the scope and depth of external audit work and to ensure it gives value for money

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

4.1 The Overview of the Strategy (page 4 onwards) shows few changes in risk perceived by EY except the faster closing timetable that applies for 2017/18 accounts. In response to this the Council's Finance Team has already improved its closing process considerably for 2016/17 accounts. The Finance Team is confident the faster timetable can be achieved, as 2016/17 accounts were effectively prepared to the faster timetable.

4.2 The Strategy also sets out the proposed materiality levels applied by EY including the level of uncorrected misstatements that will be reported (page 6). Finance Officers do not have any disagreement with these levels.

4.3 Management override and recognition are standard significant risks in all EY audits and therefore red rated in the risk chart. Faster closing is red rated in the earlier table as its risk has increased since 2016/17 accounts. It is still not regarded as a significant risk at Peterborough.

5. CONSULTATION

5.1 The plan has been discussed and agreed with the s151 officer.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 To note the EY 2017/18 Plan and comment on any issues the Committee considers relevant.

7. REASON FOR THE RECOMMENDATION

7.1 To work with EY in shaping the 2017/18 audit.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 It is a requirement of the Audit Code to agree the plan but the Committee may influence the content of the plan.

9. IMPLICATIONS

Financial Implications

9.1 The cost of audit is already budgeted, but not any additional fee.

Legal Implications

9.2 None.

Equalities Implications

9.3 None.

10. BACKGROUND DOCUMENTS

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

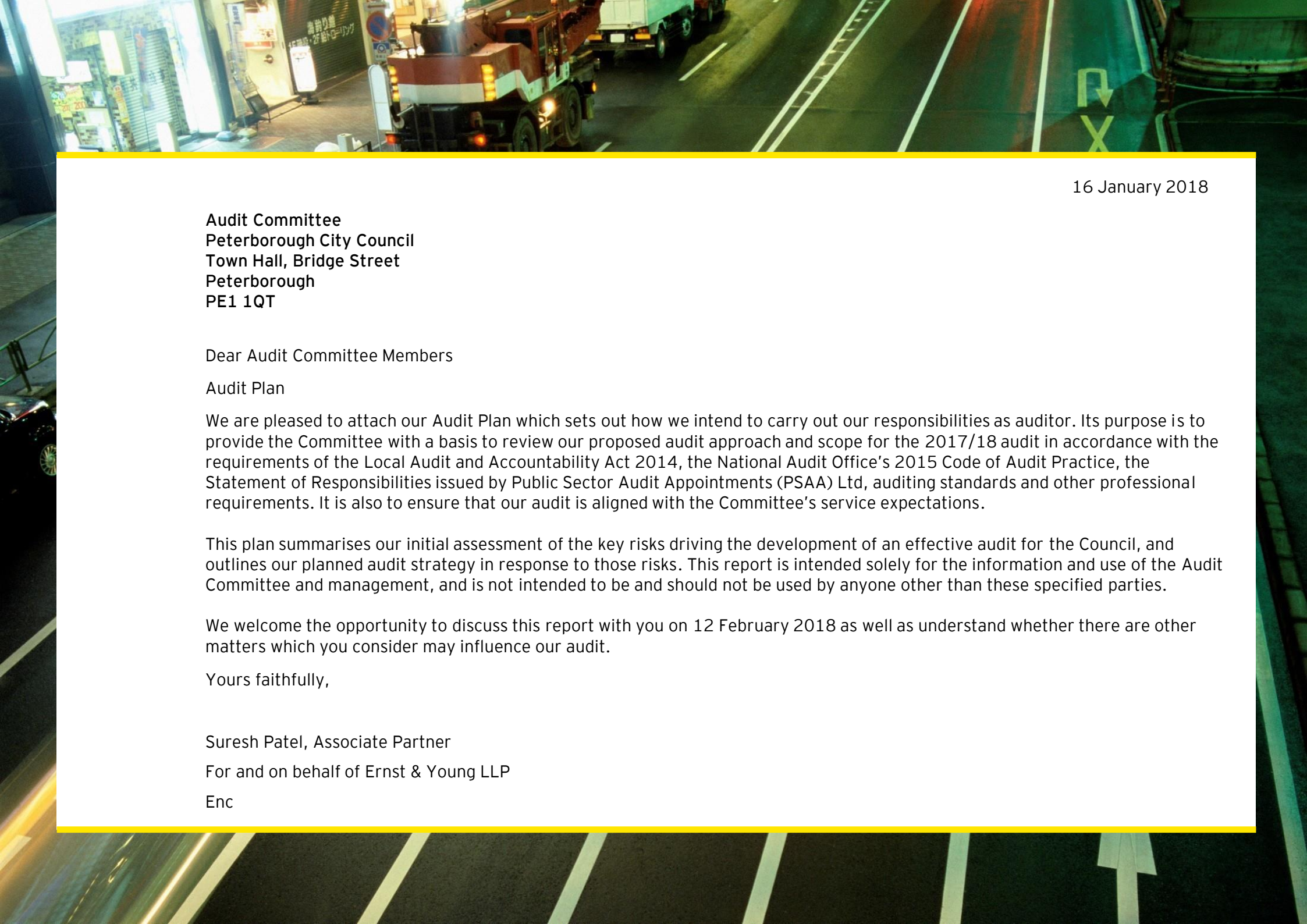
10.1 The Accounts and Audit Regulations 2015
The Local Audit and Accountability Act 2014
The National Audit Office's 2015 Code of Audit Practice
The Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd

11. APPENDICES

11.1 App A - 2017/18 Audit Plan

Peterborough City Council Audit Plan

Year ended 31 March 2018
Presented to Audit Committee on
12 February 2018

A nighttime photograph of a street scene. In the foreground, a large truck with its headlights on is parked or moving slowly. The street has white lane markings and a green-painted area with a white arrow and the letter 'X'. In the background, there is a building with illuminated windows and signs, including one that says '2017'. The overall scene is lit by streetlights and building lights, creating a mix of warm and cool tones.

16 January 2018

**Audit Committee
Peterborough City Council
Town Hall, Bridge Street
Peterborough
PE1 1QT**

Dear Audit Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 12 February 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully,

Suresh Patel, Associate Partner
For and on behalf of Ernst & Young LLP
Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Peterborough City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Peterborough City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Peterborough City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

This 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Management override of controls	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Liability valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £272 million.

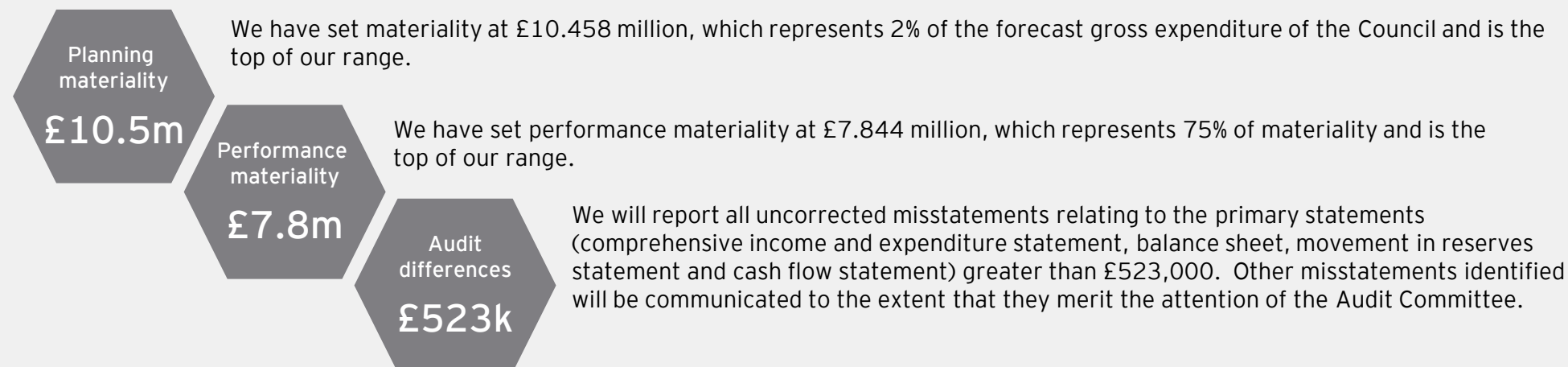
Overview of our 2017/18 audit strategy

Audit risks and areas of focus (cont)

Risk/area of focus	Risk identified	Change from PY	Details
Assessment of Group Boundary	Other risk	No change in risk or focus	The Council has a number of joint arrangements which may necessitate the preparation of group accounts. As last year, the Council will need to identify and consider all of its relationships with its subsidiaries and other partners and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements.
Faster Close	Inherent risk	Increase in risk or focus	From the FY18 financial year the Council is required to prepare and approve its accounts in draft by 31 May 2018 and audited accounts by 31 July 2018.

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Materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Peterborough City Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team

We have retained the senior team involved in your FY17 audit to ensure retention of knowledge, understanding and relationships.



Suresh Patel
Associate Partner



Kay McClennon
Manager



02 Audit risks

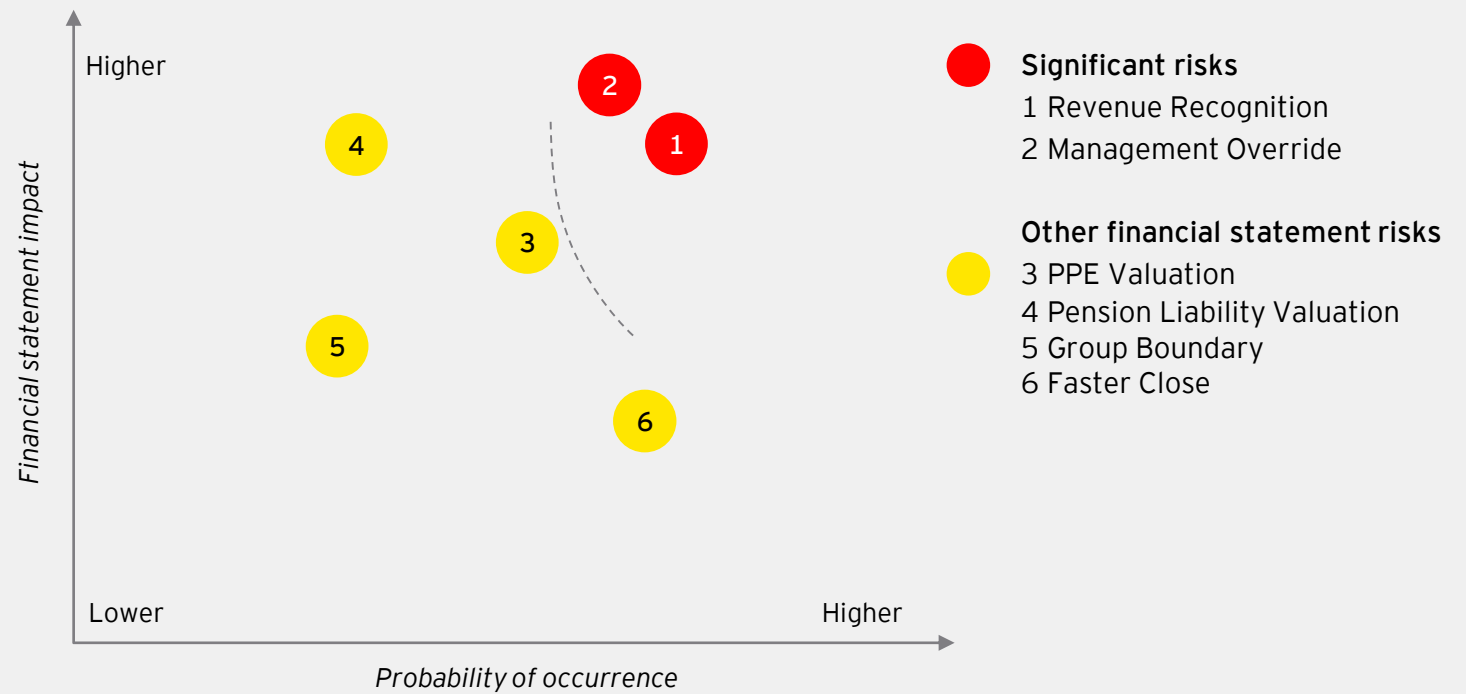


Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2018 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2017 financial statements:

Income: £514m

Expenditure Account: £564m

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What will we do?

We will:

- Review and test revenue and expenditure recognition policies.
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- Develop a testing strategy to test material revenue and expenditure streams.
- Review and test revenue cut-off at the period end date.

Our response to significant risks (continued)

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Risk of Management override: Misstatements due to fraud or error	What is the risk?	What will we do?
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2017 financial statements:</p> <p>Income: £514 m</p> <p>Expenditure Account: £564 m</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Identify inherent and actual fraud risks during planning. ▪ Enquire of management about risks of fraud and the controls put in place to address those risks. ▪ Understand the oversight given by those charged with governance of management's processes over fraud. ▪ Consider the effectiveness of management's controls designed to address the risk of fraud. ▪ Determine an appropriate strategy to address those identified risks of fraud. ▪ Perform mandatory procedures regardless of specifically identified fraud risks, including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (this will include the use of analytics to focus our testing). ▪ Review accounting estimates for evidence of management bias. ▪ Evaluate the business rationale for significant unusual transactions.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements,

Audit risks

Other areas of audit focus (cont)

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £272 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Peterborough City Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus (cont)

What is the risk/area of focus?

What will we do?

Assessment of Group Boundary

The Council has a number of joint arrangements which may necessitate the preparation of group accounts.

As last year, the Council will need to identify and consider all of its relationships with its subsidiaries and other partners and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements. Group accounts have not previously been prepared by the Council.

The review will need to consider the code requirements. There is a risk that associated group boundary changes may go undetected, and that the required disclosures are not made in accordance with the new standards.

Our approach will focus on the reasonableness of the Council's assessment by:

- ▶ Reviewing the Council's determination of where overall control lies with regard to the operation and delivery of services of the potential group bodies; and
- ▶ Reviewing the consolidation procedures applied by the Council to those bodies that lie within the group boundary.

Audit risks

Other areas of audit focus (cont)

What is the risk/area of focus?

Faster Close

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the FY18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May 2018 and the publication of the audited accounts by 31 July 2018.

There have also been some recent change in the senior finance team.

What will we do?

Following the completion of the FY17 audit we met with finance team, to identify what worked well and areas for improvement. We also agreed areas of focus for supporting the achievement of the earlier deadlines.

Our interim audit in January and February 2018, will comprise:

- Undertaking walkthroughs of key financial systems and test of controls where applicable.
- Early work on accounting policies, month 1 to 8 testing of income and expenditure, payroll sampling, and any other areas that the finance team can make available for an early audit.
- Early use of analytics, to enable us to capture whole populations of your financial data, in particular journal entries. Analytics help identify specific exceptions and anomalies which we can then focus substantive audit tests.

We have agreed with the finance team to commence the final accounts audit visit on 14 May 2018.

We have also agreed the use of the EY '**Client Portal**' in 2018. The Client Portal will streamline our communications with the finance team and provide them with access to the status of audit requests. The finance team will be able to directly upload their accounts working papers and responses to audit queries to the portal. Benefits of the portal include:

- Better security of your data
- Reduced email traffic during the audit
- Reduced risk of duplicate audit requests
- Better visibility of the status of audit requests and issues
- Reduced time input required from your finance team.



03

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion. For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

The NAO defines proper arrangements as your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

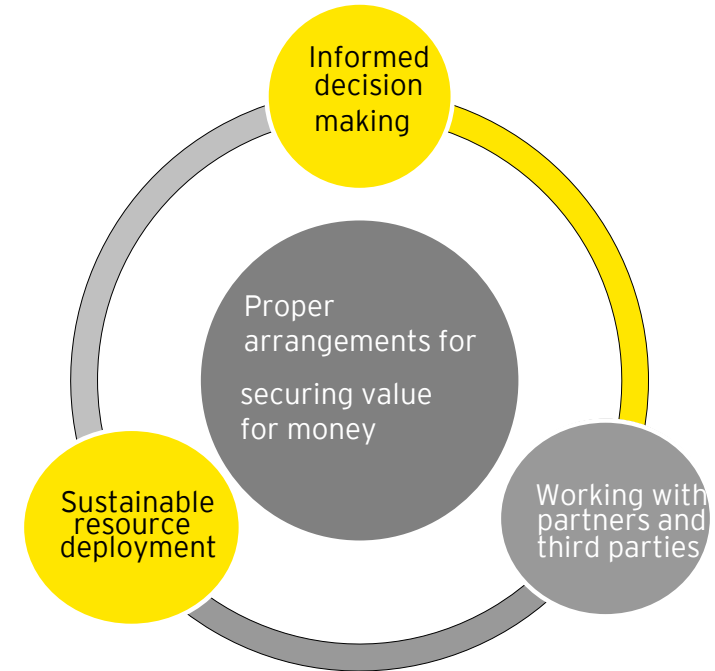
The NAO's auditor guidance includes specific reference to combined authorities, recognising their commissioning role and focus on partnership working.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We have therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

Councils are funded by grants from central government and locally raised revenue from council tax and business rates or from fees, charges, or other revenue generating activities. Between 2010/11 and 2015/16 funding for Councils from central government reduced by 36% in real terms, and further reductions for the period 2018/19 to 2020/21 are likely. There was a 23.5% decrease in local authority spending power between 2010/11 and 2015/16. At the same time, spending on homelessness for example has increased by 22% over the same period. The Revenue Support Grant received by the Council will reduce from £55 million in 2013/14 to £10 million in 2019/20.

The Council is taking action to address longer term financial resilience issues identified in its Medium Term Financial Strategy. The budget for 2017/18 is balanced; however, there are still gaps to cover in subsequent years: £24 million in 2018/19, £28 million in 2019/20 and £40 million in 2020/21.

Achieving the 2017/18 budget will be reliant on one-off resources of £19.7 million; £7.2 million utilisation of reserves and £12.5 million of capital receipts.

For 2018/19, efficiencies and one-off reductions of £8.3 million have already been identified, leaving a further £15.7 million savings target to close the gap of £24 million.

What arrangements does the risk affect?

- ▶ Take informed decisions
- ▶ Deploy resources in a sustainable manner

What will we do?

Our approach will focus on reviewing the arrangements the Council has put in place, and challenging their robustness, to enable it to:

- ▶ Deliver the 2017/18 savings plans, including considering a small sample of specific plans and their links to driving longer-term transformational change
- ▶ Develop a robust 2018/19 financial plan; and
- ▶ Keep up to date a medium term financial plan that adequately takes account of local and national financial pressures.



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04

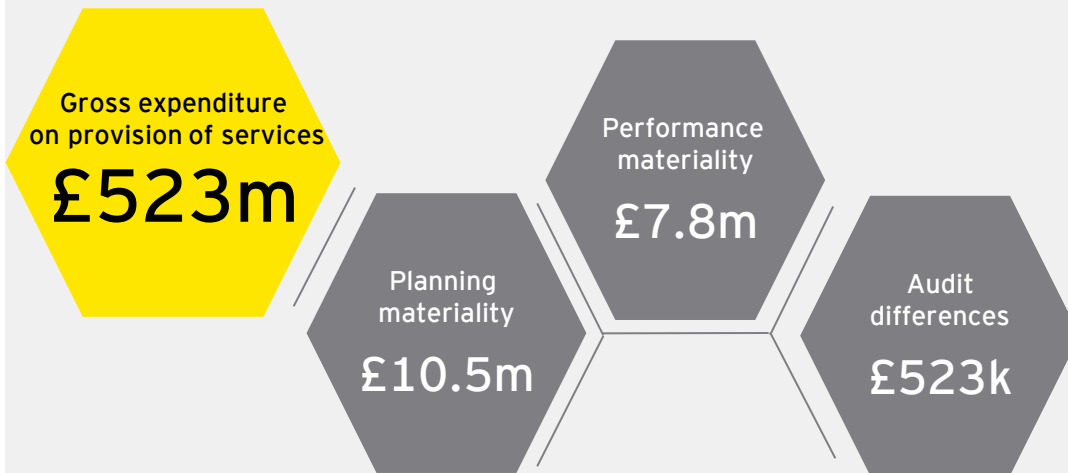
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £10.458m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.844 m which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality - We set lower materiality levels for some disclosures e.g. remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team structure:

Suresh Patel
Engagement Partner

Kay McClennon
Manager

Florentyne Barrett
Senior

Use of specialists

Our approach to the involvement of specialists, and the use of their work:

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries
PFI	EY Internal PFI Specialist (if required)

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In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	November	Audit Committee	Audit Progress Report
	December		Audit Planning Report (to management in draft)
Walkthrough of key systems and processes Testing of routine processes and controls	January		
Interim audit testing	February	Audit Committee	Audit Planning Report (presented to Committee)
	March	Audit Committee	Interim audit update (verbal unless there are significant issues)
	April		
Year end audit Audit Completion procedures	May/June		
	July		Audit Results Report Audit opinions and completion certificates
	September	Audit Committee	Annual Audit Letter

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Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



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Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	108,533	108,533	111,033
Other	0		0
Total audit	108,533	108,533	111,033
Other non-audit services not covered above (Housing Benefits - note 1)	13,619	13,619	TBC
Total other non-audit services	13,619	13,619	TBC
Total fees	122,152	122,152	TBC

All fees exclude VAT

Note 1 - We are currently agreeing the final fee for the 2016/17 Housing Benefits audit with PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Regulatory update




In previous reports to the Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Peterborough City Council	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Council 's finance team on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.

Appendix C




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.



			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances 	Audit results report	

Appendix C

Required communications with the Audit Committee (continued)




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report and Annual Audit Letter
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report

Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the **Audit Committee** and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

A pair of hands is shown from a top-down perspective, cupping a large number of Euro coins. The coins are of various denominations, including 1 Euro, 2 Euro, and 5 Euro, and are piled together. The hands are resting on a rustic, weathered wooden surface. A bright yellow rectangular box is overlaid on the upper right portion of the image, containing the title text.

Local Government Audit Committee Briefing



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Key questions
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Committee **5**

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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

EY Item Club forecast

The latest EY Item Club forecast highlights how this year's general election result has increased political uncertainty and hindered the Article 50 EU exit negotiations, but that it could lead to a more business-friendly Brexit (with agreement on transition arrangements and to a comprehensive free trade agreement).

In terms of the economy itself, the surge in inflation has slowed consumption which, combined with investment and exports failing to offset this effect, meant GDP growth fell back to 0.2% quarter-on-quarter in the first three months of 2017. The outlook for the rest of the year remains poor, and the April forecast of 1.8% for GDP growth in 2017 has been revised down to 1.5%. Conversely, the growth forecast for next year of 1.2% has been revised up to 1.3%.

Consumer spending grew by just 0.4% quarter-on-quarter in Q1 of 2017, down from 0.7% in Q4 of 2016 and 0.8% in each of the previous quarters. This is a reflection that household savings are already very stretched, wage growth remains low, whilst inflation is picking up faster than expected. When wages fail to keep pace with price rises, inflation reduces the strength of consumption and pushes down demand. With the economy slowing it seems unlikely that falling unemployment could now trigger a significant increase in wage inflation. In terms of Consumer Prices Index (CPI) inflation, it is expected to move above 3% by July and reach 3.2 to 3.3% in the autumn, maintaining the pressure on households.

Returning to Brexit, a transition agreement with talks on a free trade agreement under way, should stimulate investment, especially in sectors like the motor industry where it has been held back by Brexit uncertainty. As a result the EY Item Club medium-term forecasts have been revised upwards. April's GDP growth forecast of 1.5% for 2019 is raised to 1.8%, whilst expected growth rates of 1.8% for 2020 and 2021 have moved up to 2.0% and 2.2% respectively.

2018-19 local government settlement: consultation

During September and October 2017 DCLG embarked on a consultation process for the 2018-19 finance settlement, which will be the third year of the multi-year settlement that was accepted by 97% of local authorities. The main themes of the consultation were:

- ▶ **Business rate retention** – the 100% retention of business rate income scheme was piloted by five regions in 2017/18. Central government is committed to giving local government greater control over the money they raise and so they have invited interested local authorities to apply to participate in a new wave of pilot schemes for 2018/19. The Spring Budget 2017 announced that authorities in London were working with Government to explore piloting the scheme for 2018/19. However, independent research commissioned by the County

Council Network has identified that 100% business rate retention could actually increase the funding gap for county authorities by £700mn by 2029. The analysis indicated that there would be a divergence between future business rate growth and demographic cost pressures.

- ▶ **New homes bonus** – since its inception the New Home Bonus has allocated £6bn to local authorities to encourage the building of over 1.2mn new homes. As part of the 2017/18 financial settlement Government reduced the number of years for legacy payments from six to four starting in 2018/19, and also set a national baseline for housing growth to incentivise local authorities to build more new homes. The national baseline (below which no bonus will be paid) was set at 0.4% for 2017/18, which is significantly below average past growth rates. The 2018/19 baseline is yet to be confirmed; however, will be calculated based on additional housing stock as reported through council tax base figures.
- ▶ **Council tax referendum principles** – government is considering whether to retain the core principle that increasing council tax demands by greater than 2% would require a local referendum. In addition, Government is considering whether this 2% core principle should also apply to Mayoral Combined Authorities.
- ▶ Continuation of the Adult Social Care Precept principle of a 2% increase, with the additional flexibility in 2018/19 to increase this precept by an additional 1% to 3%, provided that the total increase between 2017/18 and 2019/20 does not exceed 6%.

Planning fees

A government white paper published in February 2017 set out plans to allow local authorities to increase planning permission fees by up to 20% from July 2017; however, this increase has not

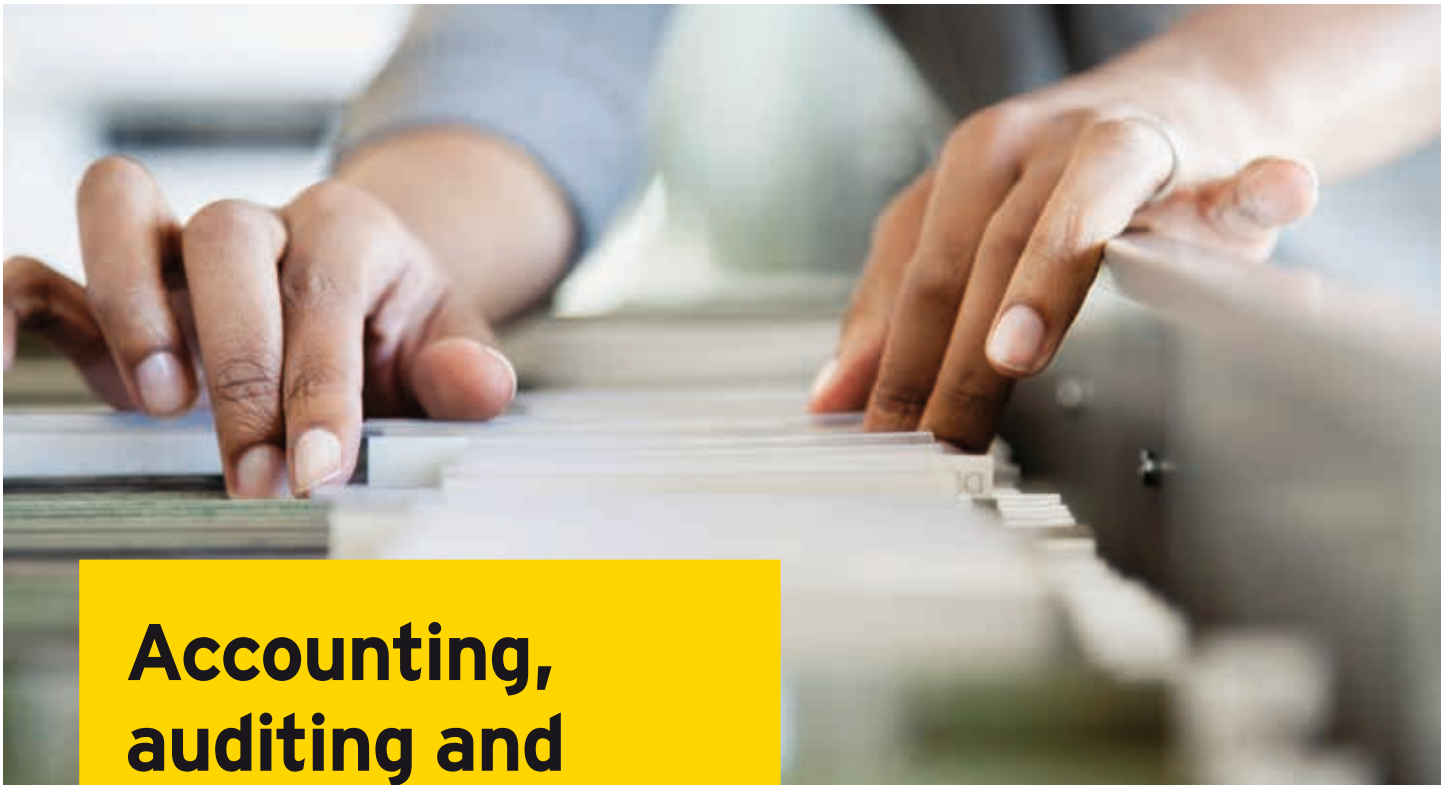
been implemented and it is unclear whether it will in the future. This has put £1bn of potential future funding up to 2022 at risk according to the Local Government Association (LGA).

The LGA has estimated that the average council receives 486,500 planning applications per year with council tax funds being used to fund approximately one third of applications. Planning permission fees are set nationally so that applicants have certainty of cost throughout the country. Often individual householder applications will result in an overall loss for councils due to the small size of the application and corresponding fee, the cost of which is picked up by the taxpayer.

Adult social care

The DCLG 2017/18 Budget indicated that total local authority expenditure on adult social care is expected to rise by 8.6% in 2017/18 from £14.4bn to £15.6bn. Government has assisted local authorities to finance this increased expenditure through both the £2bn of extra funding for adult social care announced back in Spring 2017, of which £1bn will be available for 2017/18, and the adult social care precept first introduced in 2015/16 at a rate of up to 2%.

Given the increasing aging population throughout the UK there are still concerns that even this increased funding is not sufficiently sustainable to meet the future demand for adult social care services. A study published in the Lancet has found that the demand for high dependency adult care places is expected to increase by 86% by 2035, therefore the long term sustainable funding of adult social is critical. A green paper from Government is expected to be published shortly that will discuss the options for shaping the future of social care, including how it will be funded.



Accounting, auditing and governance

Commercialisation: local authority owned companies

Over 60% of local authorities currently own at least one trading company and this figure is expected to increase significantly by 2020 as councils seek efficiencies and innovations to generate extra income to bridge future funding gaps. Therefore, irrespective of type or purpose of newly established trading companies, governance and the interface between the local authority and their owned companies is critical to the commercial success of the trading enterprise.

Mike Birch, the CEO of a £300mn turnover wholly owned local authority company, said at CIPFA's annual conference that "the presence of too many members on executive boards could hamper the agility that a small and focused board needed to efficiently deliver services in a commercial environment ... You cannot run a business by committee; it has to have a degree of focus and agility."

Having too many members on the Board of a council owned company may not be in the best interests of either the company or the council. Therefore when establishing (or reviewing) the governance arrangements of council owned companies it is important that the appropriate framework is put in place to operate effectively for both entities. There are many complex issues that require careful consideration, for example, minimisation of conflicts of interest for key individuals of both entities and the balance of sufficient oversight by the council whilst not hindering the operations of the trading company.

EY think piece: 2017/18 early accounts closure

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The new timetable for preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of audited accounts by 31 July. These reporting deadline changes will provide a challenge for both preparers and auditors of local authority financial statements.

The EY Think Piece on 'Accelerating your financial close arrangements' has identified several areas of consideration that may assist in the achievement of the challenging accelerated deadlines. These include:

- ▶ **Revisit the current closure timetable.** The robustness of project timetables and the management of bottlenecks in the closure process will be critical to achieve the new deadline.
- ▶ **Format of your accounts.** Are there superfluous notes in the financial statements that could be streamlined or removed on the basis of materiality? Discuss with auditors what would be considered material.
- ▶ **Review year-end journal process.** Do year end journals actually have to be done at year end? Could journals be made throughout the year, and then adjusted at year end for material changes.
- ▶ **Manage Members' Expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.

Key questions for the Audit Committee

How is the impact of Brexit being factored into the authorities MTFP projections?

Has your local authority considered the impact of the proposed financial settlement for 2018/19?

How has the uncertainty around future charges for planning applications affected your council?

How does your council ensure that it has a sustainable financial plan for the increasing demand for adult social care?

What assurance do you have that your council's owned trading companies have effective governance arrangements in place?

What actions has your local authority taken to ensure that it is best placed to achieve the financial accounts early closure timetable of 31 July 2018?

Find out more

EY Item Club forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 local government financial settlement: consultation

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2018-to-2019-technical-consultation>

Planning fees

<http://www.publicfinance.co.uk/news/2017/08/governments-failed-planning-fees-promise-leaves-councils-ps1bn-bill>

Adult social care

<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/the-road-ahead-for-managing-social-care>

Commercialisation: local authority owned companies

<http://www.publicfinance.co.uk/news/2017/07/local-authority-run-companies-should-avoid-too-many-council-board-members>

EY Think Piece: 2017/18 early accounts closure

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

EY client resources and information

<http://www.ey.com/gl/en/industries/government---public-sector/ey-citizen-today#recent-content>

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ED None

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AUDIT COMMITTEE	AGENDA ITEM No. 5
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly - Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Service Director - Financial Services	Tel. 384564

CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016-17

R E C O M M E N D A T I O N S	
FROM: Marion Kelly - Interim Corporate Director of Resources	Deadline date: 12 February 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the grant certification report. 2. Receive a further update when the audit work is finalised. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to introduce the certification of claims and returns annual report from Ernst & Young (EY), the Council's external auditors.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.5

"To consider the external auditors annual letter, relevant reports and the report to those charged with governance"

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

4.1 Guidance for 2016/17 claim certification was issued to auditors by Public Sector Audit Appointments.

4.2 Errors identified by EY during the audit are:

- £56 in a sample of £2m due to rent calculation errors
- £8 in a sample of £190k due to weekly income miscalculated
- £642 in a sample of £225k due to earned income miscalculations

4.3 When extrapolated by EY and reported to DWP the earned income miscalculation could have led

to a subsidy loss. It increases the level of local authority error reported above subsidy thresholds.

- 4.4 The thresholds are calculated as standard percentages of total benefits paid. The lower threshold is £0.324m and the upper threshold is £0.364m for 2016/17.
- 4.5 Subsidy is paid at 100% up to the lower threshold. If total error is between the lower and upper thresholds all is subsidised at 40%. If total error is above the upper threshold no subsidy is received on any of the local authority error.
- 4.6 The earned sample error income cited in 4.2 above was extrapolated to increase local authority error by £203k. In addition to the £266k already included in the claim and receiving 100% subsidy, the extrapolation would have resulted in error exceeding the upper threshold and no subsidy being payable on any local authority error.
- 4.7 Following the EY letter DWP has asked the Council to further test relevant cases in order to substantiate the claim. This additional work in turn will be audited by EY. The final audit certification fee is therefore yet to be determined. Good progress is being made to demonstrate some of the sample errors did not constitute overpayments and therefore that any subsidy loss can be avoided.

5. CONSULTATION

- 5.1 The grants certification report and approach to further testing have been discussed and agreed with the s151 officer.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 To note the EY 2016/17 certification report and comment on any issues the Committee considers relevant.

7. REASON FOR THE RECOMMENDATION

- 7.1 To work with EY in shaping the 2017/18 certification work.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None as Audit Committee is required to receive the report.

9. IMPLICATIONS

Financial Implications

- 9.1 The cost of audit is already budgeted, but not any additional fee.

Legal Implications

- 9.2 None.

Equalities Implications

- 9.3 None.

10. BACKGROUND DOCUMENTS

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

- 10.1 2016/17 FORM MPF720A

11. APPENDICES

- 11.1 App A - Certification of claims and returns annual report 2016-17

Certification of claims and returns annual report 2016-17

Peterborough City Council

17 January 2018

Ernst & Young LLP



The Members of the Audit Committee
Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1HF

17 January 2018

Direct line: 020 7951 2340
Email: SPatel22@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Peterborough City Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Peterborough City Council's 2016-17 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £69,845,507. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the February 2018 Audit Committee.



Yours faithfully

Suresh Patel
Associate Partner
Ernst & Young LLP
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Contents

1. Housing benefits subsidy claim.....	1
2. 2016-17 certification fees.....	2
3. Looking forward.....	3

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£69,845,507
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016-17	TBC (scale fee is £14,055)
Fee – 2015-16	£13,619

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires authorities to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in several areas.

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- testing of the initial rent allowance sample identified two cases where expenditure had been overpaid as a result of miscalculating the claimant's income. Additional testing identified three further errors which led to an overpayment of benefit;
- testing of the initial non-HRA sample identified no errors as a result of miscalculating the claimant's income. Additional testing identified one error of this nature resulting in an overpayment of benefit and two errors of this nature resulting in an underpayment of benefit.
- testing of the initial non-HRA sample identified two cases where expenditure has been overpaid and one case where expenditure had been underpaid as a result of incorrect rental figure being used. Additional testing identified one further errors of this nature resulting in an overpayment of benefit.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	TBC	14,055	13,619

There will be an additional audit fee for 2016-17. The guidance sets out that the Council is responsible for completing the 40+ testing. However, we undertook this testing ourselves as the Council preferred us to do it. It was a significant amount of additional testing, and it involved some complex cases. We are currently agreeing the additional fee with PSAA.

In addition, due to the size of the extrapolations in the qualification letter, the DWP contacted the Benefits Manager on 21 December 2017 and offered the Council the opportunity to carry out further testing to be able to reduce the extrapolated error and/or identify a quantifiable amendment to the claim. This work will need to be checked by us and we will also need to agree the amount of any claim amendment or revised extrapolations. We are currently working closely with the Benefits Manager to agree a process for this work, and the DWP are expecting a response by mid-February.

We will report any relevant updates on this position to the next Audit Committee along with the final fee.

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £13,619. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

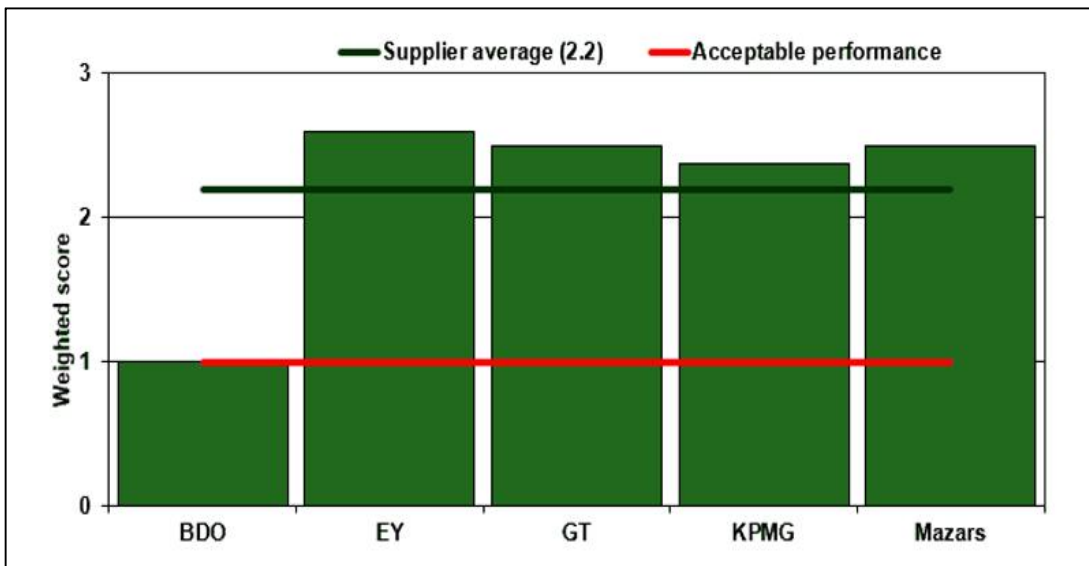
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we have again been appointed by PSAA as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

Looking forward

EY | Assurance | Tax | Transactions | Advisory

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AUDIT COMMITTEE	AGENDA ITEM No. 6
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly - Interim Corporate Director Resources	
Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

INTERNAL AUDIT PLAN 2018/2019: PLANNING APPROACH AND EMERGING THEMES

R E C O M M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note and comment upon the risk based planning approach being used to develop the Internal Audit Plan for 2018 / 2019. 2. Note and comment upon the emerging themes to be considered for inclusion in the Internal Audit Plan 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of Internal Audit.

2. PURPOSE AND REASON FOR REPORT

2.1 To provide Members with an update on progress in developing the audit plan

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.9 “*To commission work from internal and external audit.*”

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must “*establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals*”. Within Peterborough City Council (PCC), the role of Chief Audit Executive is undertaken by the Chief Internal Auditor.

4.1.2 In an ever changing risk and control environment, it is important that audit plans can adapt

quickly to the needs of the Council. Whilst we have always adopted a flexible approach to our work, we are now introducing an assessment and planning tool that will be used throughout the year on a rolling basis. This will ensure that each 'next' piece of work is the highest priority one, according to our assessment of risk.

- 4.1.3 This is an innovative approach that has been developed by Suffolk County Council auditors, which we are adapting to fit with the needs of Peterborough.

4.2 **APPROACH**

- 4.2.1 Research is currently underway to determine possible themes and areas for audit work. This includes consulting with senior management and reviewing risk registers, budgets, plans, decisions, project and contract registers.

- 4.2.2 The list of ideas that this generates will then be subject to an assessment, using our new planning tool (see **Appendix A** for details). The key factors being assessed are:

- **Materiality:** The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
- **Corporate Importance:** The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
- **Stability:** The degree of change within the process.
- **Vulnerability:** Extent to which the system is liable to breakdown, loss, error or fraud.
- **Specific concerns:** Arising from management's assessment of risk as well as audit intelligence.

- 4.2.3 The Annual Audit Plan will be compiled on the basis of:

- The prioritised list of potential audit reviews generated by the above assessment.
- The number of audit days available for the year.
- The skills, knowledge and experience of audit staff.
- Information from other assurance providers.
- An allowance for statutory activities, ad hoc consultancy, supporting the democratic process and follow-up reviews

- 4.2.4 During the year, we will apply our assessment tool to any new risks that emerge or concerns that are raised, and thus determine its priority for review compared to those areas already in the plan. Coordination between Internal Audit and Risk Management functions is of value here in "horizon scanning" such that emerging local and national risks are identified and can be covered in audit work where appropriate.

- 4.2.5 We will also explore the development of an assurance framework as part of this and future year's plans. This will map the controls in key areas to the sources of assurance for those controls. It will provide valuable insight for management and will also give the Chief Internal Auditor an oversight of the control framework at the Council, which will feed into the Annual Opinion report at the end of the year. The assurance framework will be based on the Three Lines of Defence model, which categorises assurance according to its source:

- **First Line of Defence:** Operational managers and staff carrying out day to day responsibilities and monitoring activities.
- **Second Line of Defence:** Oversight functions that set policy and process and monitor implementation, such as HR, Finance, Health and Safety, Legal, Procurement, ICT and Property.
- **Third Line of Defence:** Independent assurance providers, such as Internal and External Audit as well as regulators.

4.3 **THEMES EMERGING**

- 4.3.1 Following our initial works as determined in 4.2.1, the following areas have been identified for potential coverage. Assurance will be established from elsewhere in the business if

appropriate.

4.3.2 Financial Governance

- Budget savings delivery linked to transformation of services and changes in service delivery models;
- Capital expenditure - arrangements for bidding, approving and monitoring capital spend;
- Corporate financial systems and providing assurance for External Audit; and
- Impact of cash office closure

4.3.3 Information Governance

- The new data protection regulations due for implementation in May 2018 (GDPR);
- Cyber security including compliance with PCI and PSN requirements;
- Data sharing with third parties;
- Quality of data being used in management decisions; and
- Review of the Information Strategy

4.3.4 Corporate Governance

- Risk management;
- Performance management;
- business continuity;
- culture and ethics;
- Partnerships, Joint Ventures and shared services;
- Anti-fraud and corruption; and
- Ongoing governance, risk and control impacts of devolution

4.3.5 Contracts

- post Amey arrangements;
- contract management; and
- commissioning and outsourcing of services

4.3.6 Projects

- Fletton Quays / Agile working;
- Homelessness;
- The Pupil Referral Unit; and
- Programme / project management arrangements

4.3.7 People Management

- Apprenticeship Levy targets;
- Safeguarding; and
- Compliance with recruitment policies

4.4 Other Activities

Internal Audit also provides support for other activities of the Council as well as to other organisations. These include:

- Grant certification;
- Cambridgeshire and Peterborough Combined Authority; and
- Vivacity

4.6 It should be reiterated that this is the initial data collection and not all areas will be covered either as a result of low scoring or finite resources. Furthermore, if the audit area is included in future audit plans it does not imply that a service, system or activity is poor - it indicates activities that most need to be subject to effective controls to manage the risks identified.

5. **CONSULTATION**

5.1 Consultation to date has taken place with the following parties:

- Interim Corporate Director Resources; and
- Service Director Financial Services

Further consultation is in train with other Directors and their Management Teams.

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

7.1 To provide members with an insight into the development of the audit plan to provide assurance to the Council on its governance and operations.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

9.1 The Audit Plan needs to be deliverable within available resources and the achievement of the audit plan will be based on the assumption that the current structure remains essentially unaltered and intact throughout the year. Resource requirements are reviewed each year as part of the planning process and are discussed with the s.151 officer.

Legal Implications

9.2 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk, controls and governance.

Equalities Implications

9.3 The identification of risks and the proper management of those risks will ensure that:

- The Council's environmental policies and ambitions can be met; the Council is able to mitigate against potential financial losses, litigation claims and reputational damage; the Council is able to effectively deliver the strategic priorities.

10. BACKGROUND DOCUMENTS

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

10.1 None.

INTERNAL AUDIT PLANNING AND ASSESSMENT TOOL

<i>Category</i>	<i>Weight</i>	<i>Description</i>	<i>Total Possible Category Score</i>
Materiality	1	Value (budgeted income and expenditure; contract values; project costs etc) and volume (number of transactions, number of staff/public affected). 1= up to £100k or 100 transactions 2= £100k-£1m, or 100-1000 transactions 3= £1-10m, or 1000-10,000 transactions 4= £10-£100m, 10,000 or 100,000 transactions 5= £100m plus, or 100,000 plus transactions Score 1 to 5 (1= low, 5 = high).	5
Stability	2	Amount of change within a system or process. Growth in size or responsibilities; staff turn-over; legislative change; new or upgraded IT systems; cultural change; new service delivery models; significant internal policy change. Score 1 to 5 (1= low, 5 = high)	10
Vulnerability	4	Inherent risks (fraud, corruption, error, commercial or sensitive information, health and safety, vulnerable adults and children). Control environment (limited central control or ownership, poor physical security, high turn-over of staff, complexity of systems and processes, poor SoD, lack of expertise) Score 1 to 5 (1= low, 5 = high)	20
Corporate Importance	5	Dependence on the system to meet regulatory requirements or corporate priorities and objectives. Score 1-5 (1= low, 5= high)	25
Specific Concerns	4	Concerns and risk assessment of management and auditors. Review risk registers, specific areas raised by management, audit intelligence. score 1-5 (1= low, 5= high)	20
Total Possible Overall Score			80

Prioritisation Schedule

>50	High Priority	30-50	Medium Priority	< 30	Low Priority
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AUDIT COMMITTEE	AGENDA ITEM No. 7
12 FEBRUARY 2018	PUBLIC REPORT

Committee Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director: Financial Services	☎ 452520 ☎ 384564

CONSULTATION ON 2018/19 TREASURY MANAGEMENT STRATEGY

R E C O M M E N D A T I O N S	
FROM : Marion Kelly , Interim Corporate Director: Resources	Deadline date : N/A
<p>Audit Committee is asked to</p> <p>1. To review and approve the 2018/19 Treasury Management Strategy (TMS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2018.</p>	

1. ORIGIN OF REPORT

- 1.1 The Treasury Management in the Public Services: Code of Practice 2017 recommends that Members receive reports on its 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.
- 1.2 The annual strategy is approved by Council as part of the MTFS once the Revenue Budget and Capital Programme are finalised and the Members are required to review and approve the strategy to ensure compliance with best practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide the Treasury Management Strategy 2018/19 to Audit Committee for approval of the policies and Prudential Indicators before it is included in the MTFS.
- 2.2 This is in accordance with the Committees' Terms of Reference – 2.2.1.15

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	Feb 2018
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4. TREASURY MANAGEMENT STRATEGY

4.1 The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in long term and current assets that are central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

- a) Capital investment plans are affordable;
- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

4.2 The 2018/19 – 2020/21 TMS is shown in a separate report.

4.3 The Council has continued to operate a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays, Bank of Scotland (part of the Lloyds Banking Group) and the Churches, Charities and Local Authorities (CCLA) money market fund. The Council also invests with other Local Authorities and the Debt Management Office (DMO).

4.4 The Council has continued to borrow to fund the capital programme. Loans have been arranged at interest rates to achieve budget certainty and for varying periods to fit in with the Councils debt maturity profile.

4.5 The main changes to the TMS policies from last year's MTFS Treasury Strategy are as follows:

- Forward Borrowing Product with Link asset Services
- Achieve an even spread of loan maturities
- The aim for the Council to reduce it's overall debt
- The use of Capital receipts or S106 receipts to make revenue provision as a one off saving
- In the event of significant interest changes Council seeks to avoid an increase in revenue cost.
- Establish a more realistic capital programme using the Capital Review Group.

5. CONSULTATION

5.1 The Council's Prudential Code and Treasury Management Strategy 2018/19-2020/21 will undergo a full consultation and go through the scrutiny process as it forms part of the Annual MTFS.

5.2 The Council continues to liaise with its treasury advisors, Link Asset Services. (Name changed 3rd November 2017 - Previously Capita Asset Services).

6. ANTICIPATED OUTCOMES

6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 This report is given to the Committee to provide the opportunity to review and approve the policies and Prudential Indicators of the 2018/19 TMS in advance of it being presented to Full Council in March 2108.

8. ALTERNATIVE OPTIONS CONSIDERED

The Prudential Code and Treasury Management Strategy 2018/19-2020/21 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2017.

9. IMPLICATIONS

- 9.1 To provide the Committee the opportunity to review and approve the policies and Prudential Indicators under pinning the TMS 2018/19 – 2020/21.

Legal Implications

Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance

10. BACKGROUND DOCUMENTS

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

- The Prudential Code for Capital Finance in Local Authorities –2017 Edition, CIPFA; and
- Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition, CIPFA

11. APPENDICES

- 11.1 Appendix A - Treasury Management Strategy

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Treasury Management Strategy 2018/19 to 2020/21

Including:
Minimum Revenue Provision
Policy 2017/18 and 2018/19

1. Introduction

1.1. Background

1.1.1. The Council is required to operate a balanced budget, which means that cash raised through the year will meet its cash expenditure. The Treasury Management Strategy (TMS) has four fundamental roles:

- Manage External Investments - Security, Liquidity and Yield
- Ensure Debt is Prudent and Economic
- Produce and Monitor the Prudential Indicators
- To ensure that decisions comply with regulations.

1.1.2. 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.

1.1.3. 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.

1.1.4. CIPFA defines treasury management as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.1.5. The Treasury Management Strategy also fulfils part of the requirements of the Ministry of Housing Communities and Local Government (MHCLG) for every local authority to produce an Annual Investment Strategy (AIS). The AIS is a separate Report to the TMS.

1.2. Reporting Requirements

1.2.1. The Council is required to receive and approve, as a minimum, three reports each year. These reports are to be scrutinised by the Audit Committee before being recommended to Council.

1.2.2. This Treasury Management Strategy report 2018/19 covers:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy
- the Treasury Management Strategy including treasury indicators; and
- an Investment Strategy

1.2.3. A mid-year Treasury Management Report will update members of the Audit Committee with the progress of the capital programme, investments and amending prudential indicators as necessary.

1.2.4. An Annual Treasury Report will provide details of actual prudential and treasury indicators and actual treasury operations compared to estimates. The Annual Treasury Report is presented alongside the Statement of Accounts.

1.2.5. Any revisions to the Treasury Management Strategy will need to be approved by Full Council.

1.3. **Treasury Management Strategy for 2018/19**

1.3.1. The strategy for 2018/19 covers:

- Policy on use of External Advisors - Section 1.4
- Treasury Management Policy Statement - Section 1.5
- Revised CIPFA Treasury Management and Prudential Codes - Section 1.6
- Treasury Management role of the S151 Officer Roles - Section 1.7
- Capital Programme and the Prudential Indicators - Section 2
- Minimum Revenue Provision Policy - Section 3
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- Treasury Indicators - Section 4
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- New Borrowing Approaches to be Considered – Section 8
- Treasury Debt Prudential Indicators - Section 9
- Policy on Borrowing in Advance of Need - Section 10
- Debt Rescheduling - Section 11
- Municipal Bond Agency - Section 12
- Investment Strategy - Section 13
- Creditworthiness Policy - Section 14
- Loans made to Third Parties - Section 15
- Non-financial Investments - Section 16
- Treasury Management Scheme of Delegation - Section 17

1.3.2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code 2017, the MHCLG, MRP Guidance, the CIPFA Treasury Management Code 2017 and the MHCLG Investment Guidance.

1.4. **Treasury Management Advisors**

1.4.1. The Council uses Link Asset Services (previously Capita Asset Services) as its external treasury management advisors who have a contract until September 2018.

1.4.2. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon external advisors.

1.4.3. The Council also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.5. **Treasury Management Policy Statement**

1.5.1. The Treasury Management Policy Statement sets out the policies and objectives of Treasury Management Activities which is revised annually. It reflects December 2017 guidance.

1.5.2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

1.5.3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore

committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.5.4. Investments using the above definition cover all financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework.

1.5.5. The Council's high level policies for borrowing and investments are set out below.

- To invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Council's lending list;
- To reduce the revenue cost of the Council's debt in the medium term by obtaining financing at the cheapest rate possible;
- To seek to reschedule or repay debt at the optimum time.

1.6. Revised CIPFA Treasury Management and Prudential Codes

1.6.1. CIPFA has reviewed the Treasury Management Code of Practice and the Prudential Code. This review focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases may involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions affect treasury management.

1.6.2. CIPFA has withdrawn some prudential indicators (listed below) as they have caused confusion as to how to calculate them. However it is appropriate to retain these as local Peterborough indicators because they are highly relevant to measuring the sustainability of the Council's long term financial position.

1.6.2.1. Estimates of the ratio of financing costs as a percentage of net revenue stream for three years ahead

1.6.2.2. Actual ratio of financing costs to net revenue stream (after the year-end)

1.6.2.3. Q4 of the Prudential Code consultation questionnaire also questioned whether HRA indicators should be removed. This will not affect the Council as it is not an HRA Council

1.6.3. The requirement to report on investments of longer than 364 days has been changed to longer than 365 days. This change has been incorporated into Indicator 11.

1.7. The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer must do the following:

- recommend clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- receive and reviewing management information reports;
- review the performance of the treasury management function;

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular training presentations to the Audit Committee;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above. This is done by regular attendance at course and conferences and joint working with Link Asset Services;
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -
 - Risk management (Treasury Management Practise 1 (TMP) and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;

Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

2. Capital Prudential Indicators 2018/19 to 2020/21

2.1. The Council's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.

2.2. **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Council's estimated capital expenditure for the forthcoming financial year and the following two financial years including how it will be funded either from grants, contributions, or capital receipts with the remaining being the 'net financing requirement'

Capital Expenditure	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Growth & Regeneration	23.9	32.0	48.9	25.4	12.5
People & Communities	27.6	38.5	55.6	50.8	14.4
Resources	6.2	11.2	2.4	1.9	2.0
Invest to Save/Cost Avoidance Schemes	19.1	16.6	43.4	35.0	10.0
Total	76.8	98.3	150.3	113.1	38.9
Financed by:					
Capital receipts	1.0	1.1	24.2	15.0	0.0
Capital grants contributions	35.9	39.3	32.2	32.1	7.1
Net financing requirement	39.9	57.9	93.9	66.0	31.8
Total	76.8	98.3	150.3	113.1	38.9

2.3. The capital receipts shown in the tables for future years relate to the following:

- 2016/17 - Local Authority Mortgage Scheme (LAMS) capital loan - £1m
- 2017/18 - Fletton Quays capital receipt - £1.1m
- 2018/19 - Local Authority Mortgage Scheme (LAMS) capital loan - £1m
- 2018/19 – ECS Peterborough 1LLP – capital loan - £23.2m
- 2019/20 – Norlin – capital loan - £15m

2.4. The Invest to Save/Cost Avoidance schemes are included in the tables that detail total capital expenditure and the funding resources to be used. However, these schemes will either generate income or generate savings on revenue budgets elsewhere in the Council's services. Therefore the borrowing costs associated with these projects will have a minimal impact on the Council's MTFS position.

2.5. **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR.

- 2.6. The current position for the Council is that it does not reduce its total debt outstanding. As the Council continues to invest in the City it will increase the CFR. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) included on the Council's balance sheet following the IFRS conversion in 2010/11. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The following table shows the CFR estimates for the next three financial years:

Capital Financing Requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	480.9	509.8	555.4	636.2	688.1
Borrowing/Repayment	9.8	29.0	37.4	16.9	7.0
Invest to Save*	19.1	16.6	43.4	35.0	10.0
CFR carried forward	509.8	555.4	636.2	688.1	705.1
Movement in CFR	28.9	45.6	80.8	51.9	17.0
Net financing requirement	39.9	57.9	93.9	66.0	31.8
Less MRP & other financing	(11.0)	(12.3)	(13.1)	(14.1)	(14.8)
Movement in CFR	28.9	45.6	80.8	51.9	17.0

- 2.7. The difference between the borrowing requirement and the movement on the CFR is the MRP recharge made during the year.
- 2.8. **Indicator 3** – Actual and estimates of the ratio of financing costs to net revenue budget. This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	6.1%	6.2%	5.4%	7.3%	9.2%

3. Minimum Revenue Provision Policy

- 3.1. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, equipment, etc. Such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).
- 3.2. CLG Regulations require full Council to approve an MRP statement in advance of each year. A variety of options are provided to Councils to calculate this revenue charge and the Council must satisfy itself that the provision is prudent.
- 3.3. Councils are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. When the Council uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have

instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.

- 3.4. The Council participates in the Local Authority Mortgage Scheme (LAMS). Such deposits are treated as capital expenditure, as a loan to a third party. The CFR increased by the total of these indemnities. Operation of the Scheme sees these deposits returned in full at maturity, after a period of five years, with interest paid annually. As this is a temporary five year arrangement and the funds are anticipated to be returned in full, there is no MRP application.
- 3.5. Once the deposit matures, and funds are returned to the Council, the funds are classed as a capital receipt (as it is a loan) and the CFR will reduce accordingly.
- 3.6. Repayments for PFI scheme and finance leases are applied as MRP, and the associated amounts are included in these Prudential Indicators.
- 3.7. Below is a table summarising the MRP Policy adopted in 2016/17.

Summary of MRP Policy	
Capital Expenditure Incurred	MRP Policy 2017/18 & 2018/19
Pre 2007/08 debt (ie debt up to 31.03.2007)	Use the annuity method of calculation over an average weighted asset life
Supported Borrowing post 2007/08	
Unsupported borrowing 2007/08 & 2008/09	Use the annuity method of calculation over the remaining asset life
Unsupported borrowing Post 2008/09	Charged in relation to asset life on annuity method
Private Finance Initiative (PFI) - Finance Lease	Use the annuity method of calculation over the remaining asset life
Other Finance Leases	Charged in relation to asset life on annuity method
Expenditure funded by unsupported borrowing reflected within the debt liability after the 31 March 2010	<p>Asset Life Method, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project.</p> <p>If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Corporate Director Resources, taking into account forecasts for future expenditure and the generation of further receipts.</p> <p>The same process will apply for S106, POIS and CIL receipts.</p>

Secured Loans to third parties repaid in bullet form.	No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security
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4. Current Treasury Position

- 4.1. **Indicator 4** - The Council's treasury position at 31 March 2017, with estimates for future years, is summarised below. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
External Borrowing					
Market Borrowing	363.1	395.4	441.0	522.0	573.5
Repayment of borrowing	-	(18.8)	(12.0)	(28.0)	(17.5)
Expected change in borrowing	32.2	64.3	93.0	79.9	34.4
Other long-term liabilities	35.6	37.7	36.8	36.3	35.8
Gross Debt at 31 March	430.9	478.6	558.8	610.2	626.2
CFR	509.8	555.4	636.2	688.1	705.1
% of Gross Debt to CFR	84.5%	86.2%	87.8%	88.6%	88.9%

- 4.2. Based on the prudential indicators there are a number of key measures to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 4.3. The Interim Corporate Director: Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in this MTFS.
- 4.4. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit Committee with a full report taken to the next committee meeting. In the current year it has not been exceeded. The Operational Boundary is set out below:

Operational Boundary	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	395.3	524.5	659.7	677.1	653.5
Other long term liabilities	35.6	37.7	36.8	36.3	35.8
Total	430.9	562.2	696.5	713.4	689.3

- 4.5. **Indicator 6** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited. This limit is set and revised by full Council.

Authorised Limit	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	395.3	572.2	706.5	723.4	699.4
Other long term liabilities	35.6	37.7	36.8	36.3	35.8
Total	430.9	609.9	743.3	759.7	735.2

- 4.6. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. Government under sections 4(1) and 4(2) may limit either the total of all Council borrowing, or those of a specific Council, although this power has not yet been exercised.

5. Prospects for Interest Rates

- 5.1. The Council utilises the treasury services of Link Asset Services and part of their service is to assist the Council to formulate a view on interest rates to assist with borrowing and investment decisions.
- 5.2. The Link Asset Services forecast for bank base rate (as at November 2017) and PWLB new borrowing (as at November 2017) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	Bank Rate View	5yr PWLB Rate	10yr PWLB Rate	25yr PWLB Rate	50yr PWLB Rate	Budget Assumption
Now	0.50	1.50	2.10	2.80	2.50	2.60
Mar 18	0.50	1.60	2.20	2.90	2.60	
Jun 18	0.50	1.60	2.30	3.00	2.70	
Sep 18	0.50	1.70	2.40	3.00	2.80	2.90
Dec 18	0.75	1.80	2.40	3.10	2.90	
Mar 19	0.75	1.80	2.50	3.10	2.90	
Jun 19	0.75	1.90	2.60	3.20	3.00	3.15
Sep 19	0.75	1.90	2.60	3.20	3.00	
Dec 19	1.00	2.00	2.70	3.30	3.10	
Mar 20	1.00	2.10	2.70	3.40	3.20	
Jun 20	1.00	2.10	2.80	3.50	3.30	3.35
Sep 20	1.25	2.20	2.90	3.50	3.30	
Dec 20	1.25	2.30	2.90	3.60	3.40	
Mar 21	1.25	2.30	3.00	3.60	3.40	

- 5.3. The Council successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2017 to 31 October 2018. This results in the Council being able to benefit from reduced interest rates on PWLB loans by 20 basis points (0.20%). The Council is assuming that there will be a similar scheme in place when this scheme expires. The Council will submit a new application to ensure it qualifies.

- 5.4. The MTFFS assumes borrowing is taken at the 50 year period with an average taken across the quarters for that year but then adjusted with a range of borrowing periods and associated interest rates. The Chief Finance Officer believes this prudent as it mitigates some of the risk of PWLB rate rise.
- 5.5. Link Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:
- As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.
 - The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.
 - Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
 - From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.
 - Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

- The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
- Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
 - The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
 - Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
 - A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
 - Weak capitalisation of some European banks.
 - Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
 - The October 2017 Austrian general election has returned a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries
- The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
 - The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
 - UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
 - The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

6. Investment and Borrowing Rates

- 6.1. Investment returns are likely to remain low during 2018/19 but will be on a rising trend over the next few years.
- 6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little change in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- 6.3. There will remain a cost of carry to any new long-term borrowing that temporarily increases cash balances. This revenue cost is the difference between borrowing costs and investment returns.

7. Borrowing Strategy

- 7.1. The Council is currently maintaining an under-borrowed position, where CFR balance is greater than gross debt, see Indicator 2. This is in line with the agreed strategy that the Council's cash balances be used to fund capital expenditure before additional borrowing is undertaken. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 7.2. The capital programme consists of three main types of capital projects:
 - Invest to Save – Self Funding Schemes
 - Specific Schemes – eg School Extensions
 - Rolling Capital Projects eg Enhancing current assets
- 7.3. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Interim Corporate Director: Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 7.4. Any borrowing decisions will be reported to the appropriate decision making body at the next available opportunity.
- 7.5. The MTFs is based on the following borrowing strategy for the next three years. The borrowing strategy is under constant review throughout the year monitoring changes in interest rates and borrowing opportunities. The proposed strategy for 2018/19 financial year is:
 - a) To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
 - b) Significant risk of a sharp fall in long and short term rates may arise. This might be due to a marked increase of risks around relapse into recession or of risks of deflation. In this case long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - c) Significant risk of a much sharper rise in long and short term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
 - d) Loans will primarily be arranged from the PWLB and other Local Authorities.

- e) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
- f) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

8. New Borrowing Approaches to Be Considered:

- 8.1. To achieve a more even spread of loan maturities so that there is not an exceptional borrowing requirement in any future year. Rebalancing the current uneven profile will potentially allow interest savings given the current yield curve. Currently under 10 year money and over 35 year money is historically at a low interest cost.
- 8.2. Maturing long term debt is replaced by new borrowing. To achieve long term financial sustainability the Council should aim to reduce its overall debt and the associated financing costs including interest. A high value of outstanding debt represents a financial risk because of potential interest rate changes.
- 8.3. The use of Capital receipts or S106 receipts to make minimum revenue provision is a one-off revenue saving. Using these funds in this way means they are not available to fund Capital assets and reduce the overall borrowing requirement.
- 8.4. Interest rates are liable to change. In the event of significant changes the Council seeks to avoid an increased revenue cost on its capital financing charges.
- 8.5. The Treasury Management Strategy uses the planned Capital Programme to calculate the borrowing requirement. Typically the Council does not spend at the planned level in any financial year.
- 8.6. Link Asset Services have a product that will allow the Council to borrow from the market at current interest rates with a small premium but not draw down the funds until they are required - 'forward borrow'.

9. Treasury Debt Prudential Indicators

- 9.1. There are three debt treasury indicators which ensure debt structure remains within appropriate limits. This manages risk and reduces the impact of any adverse movement in interest rates.
- 9.2. **Indicator 7** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
- 9.3. **Indicator 8** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
(7) Limits on fixed interest rate net debt	416.3	534.5	669.7	687.1	663.5
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	104.1	133.6	167.4	171.8	165.9
% of variable interest rate exposure	25%	25%	25%	25%	25%

- 9.4. **Indicator 9** - Maturity structure of borrowing. These gross limits are set to reduce the Council's immediate exposure to large fixed rate sums falling due for refinancing.

Maturity Structure of borrowing	Upper Limit
Under 12 months	40%
12 months to 2 years	40%
2 years to 5 years	80%
5 years to 10 years	80%
10 years and above	100%

10. Policy on Borrowing in Advance of Need (Future Capital Expenditure)

- 10.1. The Council will not borrow more than it requires, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Council may obtain a loan or other financing at what are considered advantageous terms in anticipation of future capital expenditure. The money borrowed will be invested temporarily. The Council may also borrow in the day-to-day management of its cash flow operations or as an alternative to redeeming higher yielding investments.
- 10.2. Any decision to borrow in advance of need will be within the CFR limits, and will be considered carefully to ensure value for money.
- 10.3. The Council will ensure there is a clear link between the capital programme across the future years and the maturity profile of the existing debt portfolio which supports the need to take funding in advance of capital expenditure.
- 10.4. The Council will ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered and factored into the MTFs.
- 10.5. Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11. Debt Rescheduling on Existing Debt Portfolio

- 11.1. Short term borrowing rates are forecast to be considerably cheaper than longer term fixed interest rates. There may be potential to generate savings by switching existing long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred). Debt rescheduling will only be carried out on the existing debt portfolio. Future borrowing will be carried out as per this strategy and over shorter periods of time.

12. Municipal Bond Agency

- 12.1. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

13. Investment Strategy Principles

- 13.1. The Council does not borrow specifically for the purpose of making investments.
- 13.2. The Council has not made any non-financial investments. A revised strategy will be put forward to Full Council for consideration before any non-financial investments are undertaken.

14. Investment Counterparty Selection Criteria and Financial Investment Strategy

- 14.1. As the Council has run down its cash balances, surplus cash will be generated from cash flow movements e.g. a grant received in advance of spend or from borrowing in advance of need. Therefore investment activity will be kept to a minimum.
- 14.2. However, where it is necessary for investments to be undertaken in order to manage the Council's cash flows, the Council's primary principle is for the security of its investments. After this main principle the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 14.3. The Interim Corporate Director: Resources will maintain a counterparty list in compliance with the set out below. Any revision of the criteria will be submitted to Council for approval as necessary.
- 14.4. The Councils minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Council's call accounts and Money Market Funds, which are used for short term investments only, will use the Short Term credit ratings in the table shown within 14.6 if an institution is rated by the three credit agencies and two meet the Council's criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
- 14.5. In order to minimise the risk to investing, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Council uses the creditworthiness service provided by Link Asset Services which uses ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads. Link Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.
- 14.6. Minimum Credit Ratings Criteria – further explanations are given in Appendix 1

Minimum Credit Ratings for Group 2 Banks		
Agency	Short Term	Long Term
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

- 14.7. All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three rating agencies by Link Asset Services
- 14.8. The Council does not place sole reliance on the use of Link Asset Service's advice as the Council uses internal expertise and knowledge to make decisions. Market data, market information, information on government support for banks and the credit ratings of that government support are also considered when making treasury decisions.
- 14.9. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), and is shown in the order of use by the Council, as follows:
- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
 - Bank of Scotland call account (part of the Lloyds Banking Group).
 - UK Local Authorities.
 - All of the above would be subject to continuous credit rating reviews
- 14.10. The Council also uses Barclays Bank, the Council's own banker. If Barclays fall below the criterion in 14.6 then the following strategy will be followed:
- With regard to the three credit rating agencies, if one reduces its rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account
- If two or more credit rating agencies reduce their ratings only, as the Council will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees
- Seek advice from Link Asset Services
- 14.11. The above action applies to Barclays only due to its status as the Council's banking provider. Use of other bank accounts would be subject to criteria set out in the point above. The above approach to Barclay's Bank has been developed following consideration of that the Council needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity the significant impact, resource requirement, and risk exposure of changing bank provider the possible state and stability of the banking sector and viable alternative suppliers.
- 14.12. Local Authority Mortgage Scheme. Under this scheme the Council had placed funds of £2m with Lloyds Bank for a period of five years. The first tranche of £1m has matured and been returned to the Council, leaving £1m still on deposit. This is classified as being an indemnity arrangement and therefore accounted for as a capital expenditure transaction, rather than a treasury management investment. Therefore LAMS is outside the Specified/Non specified categories but is included in this Strategy for completeness. Any other counterparty used will fall outside the Specified/Non specified categories as per the reason stated above. Therefore the minimum credit criteria need not apply to the LAMS scheme.
- Banks Group 1 - Part nationalised UK banks - Lloyds Banking Group Plc. (Bank of Scotland and Lloyds) and Royal Bank of Scotland Group Plc. (National Westminster Bank, The Royal Bank of Scotland and Ulster Bank Ltd). These banks can be included if they continue to be part nationalised and / or they meet the ratings in 14.6.
 - Banks Group 2 – good credit quality - the Council will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.

- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch
- Bill Payment Service – The Council currently has a contract with Santander UK who collect payments of Council Tax through the post office via various methods of payment such as Paypoint. The funds that are collected are transferred to the Council daily thus minimising the risk of Santander UK holding the Council's cash. This arrangement for the bill payment service falls outside the investment criteria for investments therefore any downgrade of Santander UK will not affect this service. However this arrangement will be closely monitored to ensure funds continue to be transferred daily.

14.13. The Council's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by Council. Resources. Approval will also be required if any new counterparties are added to the lending list.

14.14. Link Asset Services approach to assessing creditworthiness of institutions is by combining credit ratings, credit watches and credit outlooks to produce a colour coding system. The Council will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:

Link Asset Services Banding	Description
Blue	1 year (only applies to nationalised / semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	3 months
No colour	The Council will not invest with these institutions

14.15. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval.

14.16. **Indicator 11** - Upper limit for total principal sums invested for over 365 days excluding loans. This limit is set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit

14.17. Committee at midyear.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Principal sums invested 365 days	1.0	10.0	10.0	10.0	10.0

15. Loans Made to Third Parties

15.1. The Council makes secured loans to third parties to advance the Council's strategic interests.

- 15.2. Loans are only made after the Council's formal decision making process has been followed. This includes formal approval by the Corporate Director: Resources.
- 15.3. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment.
- 15.4. The Council have approved the secured capital loans to three third parties which are Axiom Housing Association (Council - 8 October 2014), ECS Peterborough 1 LLP (Council - 17 December 2014) and the Housing Joint Venture (Jul 2016). These are set out in the table below.

Third Party Details	Current Loan Advanced	Maximum Exposure
Longhurst Housing Association (previously Axiom)	Capital Loan £0.5m Capital Loan £6.7m	£30m
ECS Peterborough 1 LLP	Capital Loan £23.2m	£23.5m
Affordable Housing	Nil	Not Agreed
Norlin Loan	Nil	£15m

- 15.5. Individual loan agreements provide for the recovery of the capital loan in the event of a default.

16. Non-financial investments

- 16.1. The Council does not hold any non-financial investments whose purpose is to generate revenue to support core services.

17. Treasury Management Scheme of Delegation

- 17.1. The following is a list of the main tasks involved in treasury management and who in the Council is responsible for them:

Full Council / Audit Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Annual Strategy.

Audit Committee / S151 Officer (Corporate Director: Resources)

- Approval of / amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

Section 151 Officer (Executive Director Resources) / Service Director Financial Services / Head of Corporate Finance

- Reviewing the Treasury Management Policy and procedures and making recommendations to the responsible body.
- Recommending clauses, treasury management policy/practices and making recommendations to the responsible body.
- Submitting regular treasury management reports.

- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service advisors

Specified Investment Credit Criteria and Limits

Specified Investment:

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a ‘Specified Investment’ it must have a minimum rating (see Section 14.6)

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Deposit accounts with regulated UK Banks and UK Building Societies	Repayable on call, without notice	Minimum of two short term rating criteria	100	15
Money Market Funds repayable on call, no notice	Call	Minimum rating – AAA (Fitch)	50	10
Debt Management Agency Deposit Facility	6 months currently	UK Government backed	N/A	75
Term Deposits UK Government & Local Authorities	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term Deposits & Certificates of Deposit Banks Group 1	Maturities of up to 1 year	Minimum of three short term rating criteria	100	75
UK Government & Local Authority Stock Issues	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term deposits & Certificates of Deposit Banks Group 2	6 months	Minimum of three short term rating criteria	50	10
Forward Term Deposits with Regulated UK Banks	Maturities of up to 1 year	Minimum of three short term rating criteria	100	15

Non-specified Investment Credit Criteria and Limits

- With the same institutions classified as “specified” investments but have maturity dates in excess of one year, or
- Are offered by organisations that are not credit rated or the credit rating does not meet the criteria set out above
- In the current economic climate the Council has run down its cash balances as an alternative to borrowing and investments have been made short term and the Council would not consider using investments that fall under the ‘Non-Specified’ Investments category at this time
- If the Council decide to use these investments then Indicator 11 will need to be revised

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	1-5 years	Sovereign risk high security not credit rated	20	20
Term deposits & Certificates of Deposit with Banks Group 1	1-5 years (tradable)	F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	1-10 years (tradable)	Sovereign risk high security not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	1-5 years (tradable)	F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	1 – 5 years	F1 (Fitch short term) A (long term)	5	5
Term deposits UK building societies no formal credit rating	Up to 1 year	Financial position assessed by Interim Corporate Director: Resources	5	5
Bonds issued by financial institution guaranteed by UK Govt	1-10 years (tradable)	UK Govt backed AAA (Fitch, S&P etc.)	5	5

In the current economic climate the Council has run down its cash balances as an alternative to borrowing and investments have been made short term and the Council would not consider using investments that fall under the ‘Non-Specified’ Investments category at this time.

Explanation of credit ratings		
Agency	Short Term	Long Term
Fitch	F1-Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; a “+” may be added to denote any exceptionally strong credit feature.	A-High credit quality. ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Moody’s	P-1-superior ability to repay short-term debt obligations	Aa-high quality and are subject to very low credit risk
Standard & Poor’s	A-1-The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.	A-more susceptible to the adverse effects of changes in circumstances and economic conditions. However the obligor’s capacity to meet its financial commitment on the obligation is still strong.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
12 FEBRUARY 2018	PUBLIC REPORT

Committee Member(s) responsible:	Resources portfolio holder, Cllr Seaton		
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director: Financial Services	☎ 452520	☎ 384564

CONSULTATION ON 2018/19 ASSET INVESTMENT STRATEGY

R E C O M M E N D A T I O N S	
FROM : Marion Kelly , Interim Corporate Director: Resources	Deadline date : N/A
<p>Audit Committee is asked to</p> <ol style="list-style-type: none"> To review and approve the 2018/19 – 2020/21 Asset Investment Strategy (AIS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2018. 	

1. ORIGIN OF REPORT

- 1.1 The Asset Investment Strategy (AIS) is required by the Local Government Act 2003. The AIS supports the strategic priorities of the Council. The AIS is reviewed annually and ensures the Council has a comprehensive approach to investment decisions.
- 1.2 The AIS is approved by Council as part of the MTFS once the Revenue Budget and Capital Programme are finalised and the Members are required to review and approve the strategy to ensure compliance with best practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide the Asset Investment Strategy 2018/19 - 2020/21 to Audit Committee for approval before it is included in the MTFS.
- 2.2 This is in accordance with the Committees' Terms of Reference – 2.2.1.15

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	Feb 2018
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4. ASSET INVESTMENT STRATEGY

- 4.1 The principles of the AIS set out in section 1.1 of the Strategy are
 - Managing the revenue impact
 - Maximising external funding
 - Project appraisal

- Performance management

- 4.2 Section 1.2 of the AIS sets out the aims of the Strategy.
- 4.3 Section 1.3 of the AIS emphasises adopting a deliverable and sustainable capital programme.
- 4.4 In section 3 of the AIS the key areas of asset investment in each Directorate. The draft Capital Programme is attached to the Strategy as an Appendix.
- 4.5 Section 4 of the AIS explains how the Asset Investment Programme is managed and particularly the role of the VERTO system.
- 4.6 Sections 5 and 6 of the AIS summarise how the capital programme is funded and the application of CIL.
- 4.7 Section 7 of the AIS emphasises the Council is prepared - with due process – to consider innovative.
- 4.8 Section 8 of the AIS stresses the role of capital receipts in funding the Asset Investment Programme.
- 4.9 Finally Section 9 emphasises the role of proactive and effective procurement in delivering the

5. CONSULTATION

- 5.1 The Council's Asset Investment Strategy 2018/19-2020/21 will undergo a full consultation and go through the scrutiny process as it forms part of the Annual MTFS.

6. ANTICIPATED OUTCOMES

- 6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 This report is given to the Committee to provide the opportunity to review and approve the Asset Investment Strategy before it is incorporated in the MTFS.

8. ALTERNATIVE OPTIONS CONSIDERED

The Strategy is required under the Local Government Act 2003 .

9. IMPLICATIONS

- 9.1 To provide the Committee the opportunity to review and approve the AIS 2018/19 – 2020/21.

10. BACKGROUND DOCUMENTS

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

- Local Government Act 2003
- MHLGC Statutory Guidance on Investments Strategies 2018

11. APPENDICES

11.1 Appendix A - Peterborough City Council Asset Investment and Acquisition Strategy, Capital Programme and Disposals 2018/19-2020/21

11.2 Appendix B - Investment Asset Programme (Titled Appendix E)

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Asset Investment Strategy

2018 – 2021

Peterborough City Council Asset Investment and Acquisition Strategy, Capital Programme 2018/19-2020/21

1 Introduction and Strategic Principles

1.1 The Asset Investment Strategy (AIS) supports the strategic priorities of the Council. The AIS is reviewed annually. The Strategy is required by the Local Government Act 2003 and subsequent updates to ensure that Council has a comprehensive approach to investment decisions. It is part of the Medium Term Financial Strategy (MTFS) and is supported by the Asset Management Plan (AMP.) The AIS has four principles:

Managing the revenue impact of Decisions	<ul style="list-style-type: none"> • Ensuring that investments comply with the Prudential Code • Maximising invest to save opportunities • Maximising returns having regard to appropriate levels of risk
Maximising external funding	<ul style="list-style-type: none"> • Assessment of surplus assets for disposal • Working with funders and partners to maximise funding streams • A reserves policy linking revenue and capital activity
Project Appraisal	<ul style="list-style-type: none"> • Maintaining a competitive approval process • Ensuring environmental sustainability • Managing risk and ensuring value for money
Performance Management	<ul style="list-style-type: none"> • Using the VERTO system to log all projects • Transparency and accountability through the financial and governance processes

1.2 The Aims of the Strategy are that:

- Physical assets efficiently and effectively support Council priorities. Asset Investment schemes demonstrate Value For Money (VFM);
- Property investment and maintenance needs get due weight in Council planning;
- Investment and maintenance decisions are transparent to stakeholders;
- Schemes are generating a hurdle rate of return after financing costs;
- The Prudential Code for Financial Reporting is applied;
- There is optimal use of assets based on the AMP;
- AMP reviews that generate surplus assets lead to capital receipts;
- Sustainable and affordable investment plans are authorised through the MTFS;
- The Council works with partners to achieve better delivery and financial outcomes.

1.3 Over recent financial years Peterborough has planned an ambitious capital programme. However actual expenditure has often been much less than planned. In part this reflects the Council's lack of capacity to deliver such a high number of projects. Future years' programmes are realistic as to the number of projects that can be delivered year on year. Moving forward the Council faces significant financial pressures. It must therefore adopt a capital programme that is affordable. The

programme is therefore divided between rolling allocations for core services; invest to save; and one-off allocations for projects. The Guideline maximum programme is £90m per financial year.

2 Context

2.1 The AIS is a summary of asset investment in the city for the future, guided by the development of individual service asset investment plans. AIS policies and practices establish, monitor and manage the Asset Investment Programme in the MTFS.

2.2 The AIS must deliver to the Council's strategic priorities. These are:

- Drive growth, regeneration and economic development;
- Improve educational attainment and skills;
- Safeguard vulnerable children and adults;
- Implement the Environment Capital agenda;
- Support Peterborough's culture and leisure trust Vivacity;
- Keep all our communities safe, cohesive and healthy;
- Achieve the best health and wellbeing for the city.

2.3 Many of these priorities are underpinned by the following:

- The Sustainable Community Strategy (SCS) reflects the major growth aspirations of the Council - 'bigger and better Peterborough' and 'substantial and truly sustainable growth'. Growth requires investment in infrastructure, and the Council facilitates this. The AIS is driven by the SCS, which sets out a vision and overall strategy for the future of the city and surrounding villages and rural areas, covering the period 2008 – 2021.
- Peterborough Planning Policy Framework. The City Council has a fully adopted Local Plan. This is being reviewed with final adoption scheduled 2018. It comprises the documents set out below:
 - 2011 The Peterborough Core Strategy Development Plan Document (DPD)
 - 2012 Site Allocations DPD
 - 2011 Minerals Core Strategy and Site Allocation
 - 2012 Waste Core Strategy and Site Allocation
 - 2012 Planning Policies DPD
 - 2014 City Centre Development Plan

2.4 Reduced local government funding makes specific government grants and private investment the primary sources for investing in growth. Examples of private and government investment achieved include:

- Additional revenue benefits of New Homes Bonus or business rates due to growth;
- A live Infrastructure Delivery Schedule (IDS)
- A Community Infrastructure Levy (CIL) which has been in place since April 2015;
- Specific grant for targeted Government priorities such as schools and infrastructure.

3 Key Areas of Council Asset Investment

3.1 The Council's Asset Investment Programme for 2018/19 to 2020/21 totals £302.4m. The approved Capital Programme is set out in Annex 1. The programme links to the following departmental priorities:

People and Communities Directorate

Adult Social Care

- Adult Social Care is going through a major transformation increasing prevention, reducing dependency and increasing personal choice. The Asset Investment Strategy also reflects additional responsibilities arising from the Care Act;
- Investment in Extra Care per the Older Person's Accommodation Strategy;
- Supported housing for people with learning disabilities or mental health difficulties;
- The delivery of aids, adaptations and assistive technology;
- Care Act and Better Care Fund IT and technology requirements;
- Co-Location conversion of Gloucester Centre to workplace compatible offices.

Community Infrastructure

- Funded primarily by developer contributions;
- Provision of community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector;
- Cross Keys right to buy receipts invested into a housing Joint Venture;
- Current planning policy ensures 30% of all new housing on eligible sites is affordable homes;
- Decisions informed by a private sector Integrated Dwelling Level Stock Modelling Report;
- Disabled Facilities Grants now part of the Improved Better Care Fund;
- Future Community Infrastructure will be co-located facilities and community hubs;
- A Community Assets Review with appropriate transfers;
- The Green Open Space Strategy and Implementation Programme;
- Meeting the legitimate needs of the Traveller and Gypsy community.

Children's Services

- Responsible for ensuring there are sufficient school places within the area. Shortages increase home to school transport costs;
- Local places for local children aim to meet parental preferences for catchment schools;
- Providing a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies;
- High quality places for people to learn that encourage high levels of achievement;
- Avoiding significant changes to catchment areas and limited and temporary use only of mobile accommodation;
- The need to accommodate an exceptional level of growth;
- A net importer attracting other local authorities' pupils;
- Limited government funding for new provision;
- Land availability problems in some areas;

Growth and Regeneration Directorate

Delivery of Growth Schemes

- City Centre Development Plan;
- The Combined Authority (now responsible for Transport). Current plans in operation pending further review;
- Increasing emphasis on working with local partners.

Street Lighting

- Replacing all old street lights with LED lights.

Regeneration

- The Fletton Quays Development;
- Land assembly for the delivery of the North Westgate regeneration;
- Supporting a limited Strategic Property Portfolio.

Resources Directorate

Information and Communication Technology

- Ensuring a fit for purpose strategy via the review of all ICT provision to develop a joint strategy with Cambridgeshire.

Culture and Leisure

- Projected growth of PCC places greater challenges on cultural services;
- Redevelopment of existing facilities to meet changing customer expectations;
- Open+ better public access and opening hours to nine of Peterborough libraries;
- New cultural complex based at the Mill on The Fletton Quays area.

Invest to save Schemes

- Solar/PV installations with businesses and domestic customer;
- Energy Performance Contract Framework;
- Loan funding to Housing Associations.

Renewable Energy / Energy Efficiency Schemes

- Programme of green leases;
- The Energy Recovery Facility.

4 Managing the Asset Investment Programme

- 4.1 The Council operates a project management system (Verto). Option appraisals and feasibility studies are required to support and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process.
- 4.2 Project officers monitor the implementation of the Asset Investment Programme on a regular basis with reports being submitted monthly to Verto. Heads of Service or project leads offer regular updates which are reported to Department Management Teams.
- 4.3 The Asset Investment programme as a whole (both expenditure and income) is monitored by CMT on a quarterly basis.

5. Future Asset Investment Projects

5.1 The Capital Review Group have received early indications from Service Directors of new investment projects that will be required in the future which have not been included in the Asset Investment Strategy.

5.2 Before these schemes can be agreed further work is required on the development of detailed business cases, to carry out due diligence and then approval through the Council's governance process before they are included.

5.3 Future Asset Investment Projects include:

- Car Park Strategy
- Affordable Housing Strategy
- Sports Strategy
- ICT Strategy

6. Sources of Funding

PCC will actively pursue external or joint funding for schemes before resorting to debt financing. As such the sources of funding should reflect the most cost effective methodology for the Council and follow the following prioritisation:

- The maximisation of European, Government Grants and National Lottery funding for schemes;
- Cambridgeshire and Peterborough Combined Authority has approved grant funding for Highways and Infrastructure schemes that will be under taken by PCC and there are further discussions for additional grant funding for schemes to be undertaken by PCC. eg Housing
- The application of CIL, Section 106 and associated funding from developments;
- Reinvestments in housing, when stock is sold following the 42% tariff to HCA on any assets transferred from the former Development Corporation;
- Finally, the use of corporate resources such as capital receipts and borrowing through the PWLB

7. **The Application of CIL Receipts** is set out in the table below:

Neighbourhood Proportion	Proportion of CIL to be allocated where development has taken place
Parishes / neighbourhoods without a neighbourhood plan	15% - capped at £100 per Council tax dwelling
Parishes / neighbourhoods with an adopted neighbourhood plan	25% - uncapped
Remaining CIL receipts - Proposed funding split by infrastructure theme	
Transport and Communications	30%
Education and Learning	40%
Community and Leisure	10%
Emergency services / health and well-being	10%
Environment	10%

8. Alternative Financing Arrangements

8.1 The Council will actively investigate public/private partnerships (PPP) and any other innovative financing arrangements.

9. Capital Receipts

A Capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The need to generate Capital receipts is a fundamental part of the Asset Management Plan. The rationalisation of the asset portfolio has benefits such as reducing revenue costs that relate to surplus assets and also releases assets for disposal. Capital receipts are an important funding source for the Council.

- The Council takes a holistic approach to funding its Asset Investment programme and will adapt its approach based on overall financial circumstances and the needs of particular services. An outcome of this approach is to treat all Capital receipts as a corporate resource; enabling investment to be directed towards those schemes or projects with the highest corporate priority and to ensure the Council achieves value for money from its Capital receipts. This means that individual services are not reliant on their ability to generate Capital receipts.
- The timing and value of asset sales is the most volatile element of funding, especially in the current financial climate. As a result, the Corporate Director Growth and Regeneration closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.
- The Government has announced proposals to enable Councils to use Asset Investment receipts more flexibly to support transformation and help meet the financial challenges councils face. The Council has agreed to use receipts flexibly to help meet costs of the minimum revenue provision. Further detail is included within the Treasury Management Strategy report in the MTFs.

10. Summary of Asset Investment Programme 2018/19 – 2020/21

	2018/19	2019/20	2020/21
	Budget	Budget	Budget
	£000	£000	£000
Summary Table for Capital Strategy			
Governance	49	0	0
Growth & Regeneration	48,895	25,398	12,507
People & Communities	55,649	50,759	14,413
Resources	2,433	1,947	1,984
Resources - Invest to Save	43,350	35,000	10,000
Total Capital Programme	150,376	113,104	38,904
Funded By:			
Grants & Third Party Contributions	32,153	32,113	7,133
Capital Receipts	24,200	15,000	-
Capital Financing Requirement (Borrowing)	94,023	65,991	31,771
Total Capital Financing	150,376	113,104	38,904

11. Procurement Strategy

11.1 Proactive and effective procurement underpins all aspects of the AIS. Most of the Asset Investment programme is commissioned from external providers. Key principles of the Procurement Strategy are:

- Use of Tender processes or frameworks (highways and schools development);
- Following the Council's the Procurement Strategy;
- Alignment to the Council's Customer Strategy;
- Full monitoring by the appropriate governance group.

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Governance										
Legal Case Management System	Core	49	0	0	0	49	0	0	0	0
Total Governance		49	0	0	0	49	0	0	0	0
Growth & Regeneration										
A1139 Frank Perkins Parkway (River Nene Bridge to JCT8)	Core	250	250	0	250	0	250	0	0	0
A47/aa15 Lincoln road junction 18 improvements	Core	5,137	0	0	5,137	0	0	0	0	0
A605 Oundle Road improvement scheme (between Lynch Wood and Alwalton) NPIF	Core	673	0	0	673	0	0	0	0	0
Acquisition of Whitworth Mill	Core	4,758	0	0	3,258	1,500	0	0	0	0
Bourges Boulevard phase 2	Core	1,000	0	0	0	1,000	0	0	0	0
Continuation of Public Realm - MTFS	Core	307	0	0	307	0	0	0	0	0
Corfe Avenue Walton Deck Refurbishment	Core	100	0	0	85	15	0	0	0	0
Fletton Quays Fit Out	Core	1,310	0	0	1,310	0	0	0	0	0
Householders Recycling Centre	Core	1,871	0	0	1,015	856	0	0	0	0
Lolham Bridge No3 Refurbishment	Core	51	0	0	51	0	0	0	0	0
City Centre Public Realm	Core	0	2,500	1,500	0	0	2,500	0	1,500	0
Mountsteven Avenue (Fulbridge Road to Croyland Road) Resurface carriageway	Core	251	0	0	0	251	0	0	0	0
MTFS A1139 Frank Perkins Parkway	Core	188	0	0	188	0	0	0	0	0
North Westgate Development	Core	3,980	11,000	0	3,980	0	11,000	0	0	0
Street Lighting	Core	5,939	0	0	5,939	0	0	0	0	0
Street Lighting LED Project	Core	2,400	0	0	2,400	0	0	0	0	0
Street Signage	Core	50	50	50	50	0	50	0	50	0
Surface Treatment	Core	130	130	130	130	0	130	0	130	0
Urban Traffic Control - UTC	Core	160	0	0	140	20	0	0	0	0
Wansford Bridge Parapet Rebuild	Core	350	0	0	278	72	0	0	0	0
Waste Management Strategy - ALMO	Core	575	0	0	575	0	0	0	0	0
Werrington Brook	Core	20	0	0	0	20	0	0	0	0
Westgate Public Realm	Core	700	0	0	700	0	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Corporate Growth Area - Capital Pot Funding	Rolling	500	500	500	500	0	500	0	500	0
Cost Of Disposals	Rolling	500	250	250	500	0	250	0	250	0
Crescent Bridge Refurbishment	Rolling	118	0	0	35	83	0	0	0	0
Footway Budget	Rolling	230	230	230	230	0	230	0	230	0
Highways	Rolling	5,015	5,015	5,015	1,649	3,366	1,642	3,373	1,642	3,373
Highways Capitalisation	Rolling	250	250	250	250	0	250	0	250	0
Integrated Transport Programme	Rolling	1,813	1,813	1,813	406	1,407	406	1,407	406	1,407
Intelligent transport systems infrastructure	Rolling	50	200	0	50	0	200	0	0	0
Leisure Trust Property	Rolling	400	400	350	400	0	400	0	350	0
Local Safety Scheme 2009/10	Rolling	100	0	0	0	100	0	0	0	0
Longthorpe Footbridge (A1260)	Rolling	275	0	0	275	0	0	0	0	0
Nene Bridge Bearings	Rolling	3,887	0	0	3,887	0	0	0	0	0
Play Areas Improvement Programme	Rolling	185	185	185	185	0	185	0	185	0
Refurbishment of Traffic Signal Sites Nearing End of Life	Rolling	100	100	100	100	0	100	0	100	0
Roads And Bridges	Rolling	330	330	330	330	0	330	0	330	0
Strategic Network Review	Rolling	200	0	0	200	0	0	0	0	0
Strategic Property Portfolio	Rolling	2,533	2,115	1,690	2,533	0	2,115	0	1,690	0
Town Hall Capital works	Rolling	2,001	0	34	2,001	0	0	0	34	0
Westwood Footbridge Pier Top Concrete Refurb	Rolling	129	0	0	85	44	0	0	0	0
Wheelie Bins	Rolling	80	80	80	80	0	80	0	80	0
Total Growth & Regeneration		48,895	25,398	12,507	40,161	8,734	20,618	4,780	7,727	4,780
People & Communities										
Aids And Adaptations	Core	216	216	216	216	0	216	0	216	0
Assistive Technology	Core	97	0	0	77	20	0	0	0	0
Capital Maintenance On Schools	Core	1,150	600	400	550	600	600	0	400	0
Childrens Centre Maintenance	Core	50	50	0	50	0	50	0	0	0
Civil Enforcement Officers Cars	Core	30	0	0	30	0	0	0	0	0
Clare Lodge - Phase 6	Core	59	0	0	0	59	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Disabled Facilities Grant	Core	1,900	1,400	1,400	971	929	471	929	471	929
East Regen Project	Core	440	0	0	0	440	0	0	0	0
Framework I	Core	429	0	0	429	0	0	0	0	0
Future Secondary MTFS	Core	200	0	0	200	0	0	0	0	0
Hampton Lakes Primary No 1 of 2	Core	6,006	2,050	0	3,506	2,500	0	2,000	0	0
Heltwate School	Core	500	10,580	2,000	0	500	6,580	4,000	2,000	0
Improvements Required In Education Systems	Core	200	0	0	200	0	0	0	0	0
Infant free school meals	Core	26	0	0	26	0	0	0	0	0
Jack Hunt Expansion	Core	3,742	0	0	2,792	950	0	0	0	0
John Clare Expansion	Core	115	0	0	15	100	0	0	0	0
Marshfields Expansion	Core	2,920	0	0	1,880	1,040	0	0	0	0
Mobiles Purchase/Lease	Core	900	500	500	400	500	400	100	500	0
MTFS - Operation Can Do	Core	1,570	4,619	1,200	1,570	0	4,619	0	1,200	0
Nene Park Academy Expansion	Core	2,750	0	0	0	2,750	0	0	0	0
Norwood Lane - Fly Tipping	Core	125	0	0	125	0	0	0	0	0
Oakdale Primary 1 FE Expansion	Core	4,150	0	0	913	3,237	0	0	0	0
OBA Expansion	Core	2,750	0	0	0	2,750	0	0	0	0
OFSTED Inspection	Core	200	0	0	200	0	0	0	0	0
Parnwell Expansion	Core	2,880	0	0	932	1,948	0	0	0	0
Paston Reserve Primary	Core	2,070	5,000	967	409	1,661	552	4,448	0	967
Paston Reserve Secondary	Core	1,000	19,000	5,839	0	1,000	8,052	10,948	5,839	0
PFI Condition Works	Core	503	200	200	503	0	200	0	200	0
Repair Assistance	Core	30	10	10	30	0	10	0	10	0
Repair Assistance (Care And Repair)	Core	1,230	1,010	1,010	1,230	0	1,010	0	1,010	0
Replacement CCTV Cameras	Core	5	0	0	5	0	0	0	0	0
Roxhill Primary	Core	50	3,400	0	0	50	0	3,450	0	0
Schools Direct Spend	Core	458	458	458	0	458	0	458	0	458
St Georges Refurb	Core	1,840	0	0	1,840	0	0	0	0	0
Social Car – Liquid Logic	Core	252	0	0	252	0	0	0	0	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Staffing Costs (0.5% Of Capital)	Core	167	167	214	167	0	167	0	214	0
TDA - KS2	Core	500	0	0	500	0	0	0	0	0
Thomas Deacon Academy (1 FE Expansion)	Core	1,700	0	0	1,700	0	0	0	0	0
West Town Playing Fields	Core	324	0	0	324	0	0	0	0	0
Wireless CCTV	Core	46	0	0	46	0	0	0	0	0
Woodston Phase 2	Core	4,050	500	0	4,050	0	500	0	0	0
Future Primary MTFS	Rolling	200	0	0	200	0	0	0	0	0
Ken Stimpson Expansion	Rolling	7,300	1,000	0	5,668	1,632	0	1,000	0	0
System Changes	Rolling	719	0	0	557	162	0	0	0	0
Total People & Communities		55,649	50,759	14,413	32,364	23,285	23,425	27,333	12,060	2,354
Resources										
Capital school reserve	Core	800	800	800	800	0	800	0	800	0
Corp Grant Match Funding Bid	Core	1,000	1,000	1,000	1,000	0	1,000	0	1,000	0
Cremator Relining	Core	0	0	35	0	0	0	0	35	0
ICT Projects	Core	350	0	0	350	0	0	0	0	0
Mausoleum - Build Costs	Core	45	47	49	45	0	47	0	49	0
Off Street Car Parks - Structural Works And Resurfacing	Core	160	100	100	160	0	100	0	100	0
Lawson Avenue	Core	32	0	0	0	32	0	0	0	0
West Town Recreation Ground	Core	46	0	0	0	46	0	0	0	0
Total Resources		2,433	1,947	1,984	2,355	78	1,947	0	1,984	0

APPENDIX E – Capital Schemes

Capital Project	Project Type	2018/19	2019/20	2020/21	2018/19 Funding		2019/20 Funding		2020/21 Funding	
		Budget £000	Budget £000	Budget £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000	Corp. Res. £000	3rd Party Inc. £000
Resources - Invest To Save										
Telephony Service	I2S	1,000	0	0	1,000	0	0	0	0	0
City Fibre Project	I2S	350	0	0	350	0	0	0	0	0
Housing Joint Venture	I2S	2,000	0	0	2,000	0	0	0	0	0
Invest to Save	I2S	15,000	0	0	15,000	0	0	0	0	0
Housing Acquisition	I2S	15,000			15,000					
Property Acquisition	I2S	10,000	35,000	10,000	10,000	0	35,000	0	10,000	0
Total Invest to Save	I2S	43,350	35,000	10,000	43,350	0	35,000	0	10,000	0
Total Asset Investment Programme		150,376	113,104	38,904	118,230	32,146	80,991	32,113	31,771	7,134

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AUDIT COMMITTEE	AGENDA ITEM No. 9
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Fiona McMillan Interim Director of Law and Governance	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Ben Stevenson, Compliance Manager (Governance)	Tel. 452387

USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

RECOMMENDATIONS	
FROM: Fiona McMillan, Interim Director of Law and Governance	Deadline date:
<p>It is recommended that the Audit Committee</p> <p>1. <i>Audit Committee is asked to receive and consider the use of RIPA as detailed in this report and to receive a further update on that use in a future report</i></p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a scheduled report on the Council's use of the powers contained within the Regulation of Investigatory Powers Act (RIPA) in accordance with the established Work Programme 2017/2018.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with an understanding of RIPA and when these powers may be used, the governance and oversight the use of such powers require. The report also provides Members with an overview of those occasions where RIPA has been used.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.13

To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

- 4.1 Local authorities exercise criminal investigation powers for a number of reasons from fly tipping to planning enforcement to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by RIPA. It also provides a statutory process for authorising such work.

RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.

The Council is able to undertake directed surveillance meaning that it must be for the purpose of a specific investigation or operation. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.

- 4.2 Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage *after* an incident does not constitute covert surveillance and therefore does not fall under RIPA.

- 4.3 RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require the release communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.

- 4.4 The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.

- 4.5 In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Peterborough City Council. The first is that in order for the Council to apply for approval, the offence being investigated must meet the *crime threshold*. This means that either the offence carries a maximum punishment of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals.

The second key factor is the approval process. Any investigations must be properly authorised by one of the Council's Authorising Officers in accordance with our policies and procedures. In addition, the council must also obtain judicial approval from a Justice of Peace i.e. district judge or Magistrate.

- 4.6 The Council controls the governance of the RIPA process through the Director of Legal and Governance with reports to the Audit Committee and senior management.

5. SURVEILLANCE UNDERTAKEN

There has been one application in this financial year as detailed below, which commenced on 6 December 2017, which is the first use of the powers since February 2015.

Date approval	Type of Surveillance	Reason	Outcomes
Council approval: 28 November 2017 Magistrates approval: 4 December 2017	Covert	Fly tipping	Covert cameras were placed in a known flytipping hotspot for a period of six weeks commencing from 6 December. This location had experienced high volumes of fly tipping over the last 12 months however unfortunately cameras were not successful in capturing evidence on this occasion. However whilst visiting the the location, officers did find evidence in a nearby location which they are acting on.

6. CONSULTATION

6.1 Consultation has taken place with the following parties:

- Cabinet Member for Waste and Street Scene
- Director of Legal and Governance; and
- Assistant Director of Communities and Safety.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 The Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority through regular updates. It is also anticipated that changes to policy, processes and the impact of any guidance will be presented to the committee to ensure that it remains fully appraised on RIPA.

The council's policy was last formally reviewed by Members in 2015 and will be reviewed again by this committee later this year. It is reviewed annually in the interim by officers in order to ensure it is up to date and if changes are considered necessary then it is returned to the committee. This will happen during the coming year.

8. REASON FOR THE RECOMMENDATION

8.1 Given the authority's responsible and low use of these powers, it is recommended that the committee continues to receive information on the use of RIPA only when those processes

have been used and receives a reviewed policy this coming year.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 There are no alternative options considered at this time.

10. BACKGROUND DOCUMENTS

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

10.1 Regulation of Investigatory Powers Act 2000
Protection of Freedoms Act 2012

AUDIT COMMITTEE	AGENDA ITEM No. 10
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly – Interim Corporate Director Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Service Director - Financial Services	Tel: 384564

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000

RECOMMENDATIONS	
FROM: Marion Kelly - Interim Corporate Director of Resources	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note the Uncollectable Debts in excess of £10,000 report. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee for information from Cllr Seaton (Cabinet Member for Resources) following the publication of a Cabinet Member Decision Notice (CMDN).

2. PURPOSE AND REASON FOR REPORT

- 2.1 This report is for information following the Cabinet Member for Resources exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).
- 2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.11
To review any issue referred to it by the Chief Executive or a Director, or any Council body.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

- 4.1 The attached CMDN report details the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt). The aggregate total value of these debts is £4,637,817.
- 4.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.
- 4.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable, however, a number of

the debts included within the report are historic and should have been considered for write off a number of years ago.

4.4 In producing the report, the Cabinet Member responsible for this work area requested that a number of cases be reviewed again to ascertain whether any further actions could have been taken to maximise income. The outcome of this review identified that although a number of cases could have been taken through the recovery process more quickly, no evidence was found that this would have resulted in any more debt being collected.

4.5 The largest type of debt raised each year is business rates at approximately £100 million per annum followed by council tax at approximately £80 million per year. When the sum recommended for write off is expressed as a percentage of the total debt raised over the period it represents less than 0.3%. If debts less than £10,000 are included the total percentage remains well under 1% at 0.38% of the total debt raised.

4.6 The debt to be written off has been fully provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise, and no adverse financial impact as a result of not writing these debts off sooner.

5. CONSULTATION

5.1 Information concerning the consultation undertaken is detailed within the attached CMDN report.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 It is anticipated that the Committee will note the attached 'Uncollectable Debts in Excess of £10,000' Cabinet Member Decision Notice.

7. REASON FOR THE RECOMMENDATION

7.1 Reasons for recommendation are detailed within the attached CMDN report.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Alternative options are detailed within the attached CMDN report.

9. IMPLICATIONS

Financial Implications

9.1 Financial implications are detailed within the attached CMDN report.

Legal Implications

9.2 Financial implications are detailed within the attached CMDN report.

Equalities Implications

9.3 There are no significant equalities implications.

10. BACKGROUND DOCUMENTS

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

10.1 Cabinet Member Decision Notice: Uncollectable debts in excess of £10,000 - KEY/28NOV16/01

11. APPENDICES

11.1 Cabinet Member Decision Notice: Uncollectable debts in excess of £10,000 - KEY/28NOV16/01

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR RESOURCES
February 2018
Deadline date: N/A

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources. Marion Kelly, Interim Corporate Director: Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : Yes Unique Key decision Reference from Forward Plan : KEY/28NOV16/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S

The Cabinet Member is recommended to authorise the write off of the debt shown as outstanding in respect of non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts included in the Appendix 1. This details the financial year and the category for the write off request.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £4,637,817.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.

- 1.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable, however, a number of the debts included within this report are historic and should have been considered for write off a number of years ago.
- 1.4 In producing this report the Cabinet Member responsible for this work area requested that a number of cases be reviewed again to ascertain whether any further actions could have been taken to maximise income. The outcome of this review identified that although a number of cases could have been taken through the recovery process more quickly no evidence was found that this would have resulted in any more debt being collected.
- 1.5 The largest type of debt raised each year is business rates at approximately £100 million per annum followed by council tax at approximately £80 million per year. When the sum recommended for write off is expressed as a percentage of the total debt raised over the period it represents less than 0.3%. If debts less than £10,000 are included the total percentage remains well under 1% at 0.38% of the total debt raised.
- 1.6 Debt to be written off is set out in Appendix 1. This has been fully provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 1.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts.

Financial Context

- 1.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 1.3 Per annum, the Council currently expects to receive approximately £100m in non-domestic rates, £79m in council tax, £3.5m in housing benefit overpayments and in excess of £50m of sundry invoice income. As a result of business activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity. For example, in 2015/16 the Council collected £1.1m in council tax which was owed to it for the previous financial year, and a further £889k from 2013/14 and before.
- 1.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this

occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available, or where it has not been possible to trace a debtor. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.

- 1.5 In respect of council tax and non-domestic rates, although the Council continues to collect arrears after the year it becomes due, the amount collected 'in year' is still measured. When comparing performance between councils Peterborough is grouped with 15 other Local Authorities that are deemed to be our benchmark neighbour's due to a number of factors including deprivation rates.
- 1.6 Peterborough has delivered the highest in year collection rate increase between 2015/16 and 2016/17 for non-domestic rates of 0.9%. Of the other 15, five councils collected less than the previous year and four the same. However at 97.4% our in-year collection rate is lower than the average for the group which is currently 97.7%. Peterborough has also delivered the highest in year collection rate increase between 2015/16 and 2016/17 for council tax of 0.5%. Of the other 15, four councils collected less than the previous year and two the same. However at 95.5%, our in-year collection rate is lower than the average for the group which is currently 96.4% (note – as these are in year levels, final collection figures will be slightly higher). The Council has returned an overall surplus on the collection fund in 2017/18 due to these collection activities and as part of the overall Council debt management activities is actively ensuring processes in place achieve higher collection rates in future years.
- 1.7 In respect of Housing Benefit overpayments, the majority of these occur when the Council is not notified about a change of circumstances for Claimants. Claimants, their appointees/ agents, or landlords to whom a direct payment is being made, must report all changes of circumstance that they could reasonably be expected to know, which may affect entitlement to Housing Benefit (i.e. no longer entitled to benefit or entitled to reduced benefit). In addition, overpayments can arise through:
 - Claimant error or fraud when making a claim
 - Landlord/ agent error or fraud
 - Departmental official error (e.g. a mistake made by DWP staff when processing an award of Income Support (IS), Employment and Support Allowance, Income Related ((ESA)(IR)), Jobseekers Allowance (Income Based)(JSA(IB) or Pension Credit (PC) guarantee credit ends
 - Payment irregularity (e.g. fraudulent encashment of a cheque)
 - Council error or administrative delay (i.e. input errors or delays when processing a change of circumstance)
- 1.8 The Department for Work and Pensions (DWP) produce annual statistics for Housing Benefit debt recovery performance. In terms of the national picture, Peterborough are 95th out of 375 Local Authorities that have been reported (a small number of LAs had incomplete data), which is just below the top quartile. The measure used is the total debt recovered / (debt identified in year + debt carried forward from prior year).
- 1.9 As an indication of the equivalent amounts of income raised over the corresponding period, Table 1 in Appendix 1 shows that the total write off being considered for each debt type is less than 1% of the total expected to be received, and that the debts span a number of financial years.
- 1.10 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance

process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

5.1 Consultation between relevant Council Officers, the Head of Finance, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

6.1 It is anticipated that the Cabinet Member for Resources will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- a company being placed into administration of liquidation;
- the ratepayer is an individual being made bankrupt;
- the ratepayer is deceased with no further income due from the estate; or
- following extensive enquiries being made it has not been possible to trace the debtor and therefore collect payment.

7.2 It should be noted that approximately £4.0m of the debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt. In all appropriate cases, proof of debt has been lodged with the Administrators or Liquidators and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

7.3 All of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, there has been no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

7.4 To further strengthen its debt collection procedures, the Council is currently reviewing all aspects of its accounts receivable processes to see whether any changes need to be made. This includes ensuring that all future debt write off exercises take place on a quarterly basis.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The alternative option is to not write off this debt but this would result in an uncollectable debt continuing to be shown as outstanding and a bad debt provision for this debt. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

9.1 Financial and legal implications have been included within this report.

9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of total debt raised

Financial Year	Non Domestic Rates			Council Tax			Housing Benefit Overpayment			Sundry Debt		
	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in-year (£)	% write-off in-year
Up to 2008/09	216,248	-	0.00%	18,100	-	0.00%	56,960	-	0.00%	205,433	-	0.00%
2009/10	186,304	86,843,886	0.21%	14,688	60,755,510	0.02%	10,853	1,757,300	0.62%	78,217	51,430,000	0.15%
2010/11	455,707	84,526,730	0.54%	10,771	62,681,765	0.02%	-	2,136,189	0.00%	78,443	51,450,000	0.15%
2011/12	464,754	89,444,197	0.52%	8,409	63,452,470	0.01%	-	2,182,339	0.00%	37,196	47,270,000	0.08%
2012/13	859,301	92,745,954	0.93%	2,379	65,889,575	0.00%	21,769	2,632,518	0.83%	176,287	48,540,000	0.36%
2013/14	668,950	94,532,290	0.71%	1,236	71,080,446	0.00%	42,954	3,224,687	1.33%	35,061	46,140,000	0.08%
2014/15	407,115	96,008,318	0.42%	-	73,109,247	0.00%	-	4,680,398	0.00%	82,468	45,140,000	0.18%
2015/16	309,664	100,664,032	0.31%	-	74,846,674	0.00%	-	3,975,023	0.00%	57,245	54,270,000	0.11%
2016/17	126,460	101,768,770	0.12%	-	79,093,000	0.00%	-	3,904,982	0.00%	295	56,610,000	0.00%
2017/18	4,550	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	3,699,053	746,534,177	0.50%	55,583	550,908,687	0.01%	132,536	24,493,436	0.54%	750,645	400,850,000	0.19%

Note – the profile above is impacted by the effects of the recession

Table 2: By financial year and write-off rationale

	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Unable to trace the debtor and collect payment	The ratepayer is deceased with no further income due from the estate	Market case disputes being upheld/ amended following review	Court proceedings resulting in a suspended prison sentence and no further monies to be recovered	Renegotiation of a Section 106 agreement and specific company no longer liable	Recovery action exhausted following incorrect application of overpayments/ discounts being identified (prior to 2010)	Property leases surrendered - outstanding balances deemed non- recoverable	Statute barred - disputed debts and recovery action attempted but no longer not enforceable under the Limitation Act 1980	Other (legacy debts arising prior to 2011 where debt history/ records have been incomplete)	Total
Up to 2008/09	233,260	44,029	27,272	7,866	-	56,909	27,583	5,727	44,795	49,300	496,741
2009/10	240,982	22,259	-	-	-	-	5,044	6,966	14,811	-	290,062
2010/11	479,414	25,332	-	-	-	-	28,404	11,771	-	-	544,921
2011/12	488,765	16,422	-	824	-	-	1,178	3,170	-	-	510,359
2012/13	985,819	70,408	-	3,316	-	-	193	-	-	-	1,059,736
2013/14	631,510	53,988	30,442	9,249	12,512	-	10,500	-	-	-	748,201
2014/15	456,703	-	-	18,609	-	-	14,271	-	-	-	489,583
2015/16	352,565	-	-	7,344	-	-	7,000	-	-	-	366,909
2016/17	126,755	-	-	-	-	-	-	-	-	-	126,755
2017/18	4,550	-	-	-	-	-	-	-	-	-	4,550
Total	4,000,323	232,438	57,714	47,208	12,512	56,909	94,173	27,634	59,606	49,300	4,637,817

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Appendix 2 - Debt Write-Offs With A Value Under £10,000

	Non Domestic Rates			Council Tax			Housing Benefit Overpayment			Sundry Debt		
Financial Year	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in-year (£)	% write- off in- year
Up To 2008/09	133,206	-	0.00%	65,777	-	0.00%	12,416	-	0.00%	127,315	-	0.00%
2009/10	34,141	86,843,886	0.04%	26,305	60,755,510	0.04%	12,407	1,757,300	0.71%	64,789	51,430,000	0.13%
2010/11	10,696	84,526,730	0.01%	30,094	62,681,765	0.05%	11,610	2,136,189	0.54%	80,789	51,450,000	0.16%
2011/12	21,960	89,444,197	0.02%	28,017	63,452,470	0.04%	8,764	2,182,339	0.40%	75,379	47,270,000	0.16%
2012/13	58,978	92,745,954	0.06%	48,456	65,889,575	0.07%	2,992	2,632,518	0.11%	94,105	48,540,000	0.19%
2013/14	110,477	94,532,290	0.12%	116,784	71,080,446	0.16%	16,266	3,224,687	0.50%	55,286	46,140,000	0.12%
2014/15	85,919	96,008,318	0.09%	112,158	73,109,247	0.15%	1,229	4,680,398	0.03%	17,482	45,140,000	0.04%
2015/16	58,948	100,664,032	0.06%	159,027	74,846,674	0.21%	12,042	3,975,023	0.30%	12,483	54,270,000	0.02%
2016/17	28,119	101,768,770	0.03%	84,353	79,093,000	0.11%	17,728	3,904,982	0.45%	3,388	56,610,000	0.01%
2017/18	2,880	-	0.00%	7,496	-	0.00%	2,327	-	0.00%	2,658	-	0.00%
Total	545,324	746,534,177	0.07%	678,467	550,908,687	0.12%	97,782	24,493,436	0.40%	533,673	400,850,000	0.13%

AUDIT COMMITTEE	AGENDA ITEM No. 11
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Councillor Aitken, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

FEEDBACK REPORT

RECOMMENDATIONS

It is recommended that Audit Committee:

1. Note the Feedback Report and work completed since the last meeting

1. ORIGIN OF REPORT

- 1.1 This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 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.
- 2.2 Action arising from previous meeting:

At the meeting on 20 November 2017 the Committee requested an update from the Chief Internal Auditor to provide details when the self service HR IT systems project would be restarted.

The response from the Chief Internal Officer is detailed below:

The Council is at the present time reviewing it's ICT strategy in light of its budget position and possible joint work with other Councils. Future projects, including any replacement to an HR system will need to take this into account and will be accounted for in any wider ICT strategy for the Council. However legislative changes, which happen on a yearly basis with HR and Payroll in particular, will still be actioned.

3. IMPLICATIONS

Financial Implications

- 3.1 There are none.

Legal Implications

- 3.2 There are none.

Equalities Implications

3.3 There are none.

4. APPENDICES

4.1 Appendix A - Feedback report

AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2017 - APRIL 2018

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Internal Audit Mid-Year Progress	The Chief Internal Auditor would provide details over when the self service HR IT systems project would be restarted.	Steve Crabtree	To include information as part of feedback report	N/A	Received 7 December 2017
Risk Management: Strategic Risks	The Interim Corporate Director would arrange a briefing note for Members which would outline the measures being undertaken to mitigate the risks in regards to safeguarding.	Oliver Hayward	To be circulated to members	Briefing note to be completed	Before next meeting
Treasury Management Strategy 2018-2028	<p>The Audit Committee noted the report and agreed that the Service Director Financial Services would provide Members with:</p> <ol style="list-style-type: none"> 1. A breakdown of the pre and post 2007/08 debt figures. 2. A further breakdown of the supported and unsupported borrowing totals. 3. An analysis of what loans entered into with the PWLB had been used for in order to identify the amount spent by highway, schools and rolling programme investments. 4. A full analysis on Private Finance Initiative funding. 	Pete Carpenter	To be circulated to members	Briefing note to be completed	Before next meeting

Impact of changed Statutory Deadlines for approval of Statement of Accounts	To change the dates and work programme to accommodate the change in the statutory deadline for approval of the Statement of Accounts.	Dan Kalley	Draft meeting schedule now updated to show change of date		01/12/2017
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AUDIT COMMITTEE	AGENDA ITEM No. 12
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Councillor Aitken, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councilor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2017/18

RECOMMENDATIONS

It is recommended that the Audit Committee:

1. Notes and agrees the Work Programme for the municipal year 2017/18.

1. ORIGIN OF REPORT

- 1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officer 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.

3. IMPLICATIONS

Financial Implications

- 3.1 There are none

Legal Implications

- 3.2 There are none

Equalities Implications

- 3.3 There are none

4. APPENDICES

- 4.1 Appendix A - Work Programme 2017/18

APPENDIX A

DATE: 26 JUNE 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Dan Kalley	
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2017.
	Investigations Team Annual Report 2016 / 2017	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 2017
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2017
	Capital and Treasury Outturn 2016 / 2017	Finance Marion Kelly	To receive, consider and endorse the Capital and Treasury outturn 2016/2017
	Draft Statement of Accounts 2016 / 2017	Finance Marion Kelly	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2017
	Audit Plan Update	EY	To receive an update on the Audit Plan from EY, to review their proposed approach and scope for the 2016/17 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	Fees report	Finance Paul Cook	To approve the fees for the Municipal year 2017/2018

	Update on Constitution	Dem Services Pippa Turvey	To receive an update on changes to the PCC Constitution.
	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	Marion Kelly	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Dan Kalley	
Standard	Draft Work Programme 2017 / 2018	Democratic Services Dan Kalley	

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: 25 SEPTEMBER 2017

		Section / Lead	Description
Standard	Apologies for Absence		

Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Dan Kalley	
	Audit of Statement of Accounts To Those Charged with Governance (ISA260)	Finance Pete Carpenter & EY	To receive the final Statement of Accounts for the year ended 31 March 2017 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Response to Public sector Audit Appointment's Proposal to Appoint Ernst & Young LLP as external Auditors for 5 Years from 2018/19	Finance Pete Carpenter	To appoint E&Y as external auditors for 5 years from 2018/19
	Treasury Management	Finance Pete Carpenter	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. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000 - None	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Dan Kalley	
Standard	Work Programme 2016 / 2017	Democratic Services Dan Kalley	

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: 20 NOVEMBER 2017

		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Dan Kalley	
	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
	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.
	Treasury Management: Strategy 2018 - 2028	Finance Pete Carpenter	For Members to comment on the Treasury Management Strategy
	External Audit: Annual Audit Letter	EY	To receive and approve the External Annual Audit Letter identified as part of their audit works
	Impact of Changed Statutory Deadline for Approval of Statement of	Finance Pete Carpenter	To approve proposed change to Audit Committee dates and work programme to accommodate the changed statutory

	Accounts		deadline for approval of the Statement Of Accounts.
	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	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Dan Kalley	
Standard	Work Programme 2017 / 2018	Democratic Services Dan Kalley	

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: 12 FEBRUARY 2018

		Section / Lead	Description
Standard	Apologies for Absence		

Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Dan Kalley	
	External Audit plan	EY	To receive and approve the Draft External Audit Plan
	Grants Certification report	EY and Finance	To receive a report on Grants Certification
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	Capital Strategy 2018 - 2021	Finance Pete Carpenter	
	Treasury Management Strategy Including the Investment Policy 2018 - 2021	Finance Pete Carpenter	
	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 Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Dan Kalley	
Standard	Work Programme 2017 / 2018	Democratic Services Dan Kalley	

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: 26 MARCH 2018

		Section / Lead	Description
Standard	Apologies for Absence		

Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Dan Kalley	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive an update on the strategic risks for the Council
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Consultant's Policy	Legal Natalie Moulton	
	Draft Annual Audit Committee Report	Democratic Services Dan Kalley	To receive the Draft Annual Audit Committee Report prior to submission to Council
	Internal Audit: Draft Internal Audit Plan 2017 / 2018	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2017 / 2018
	Governance Update	Pete Carpenter Finance	
	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	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Dan Kalley	
Standard	Work Programme 2017 / 2018	Democratic Services Dan Kalley	

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

Report Sign Off Sheet

Pre-Drafting Comments	Section	Name	Comments	Date
	Democratic Services.	Dan Kalley	Work Programme report	02/01/2018
Date Report Submitted Into GOOGLE 'Report Folder'				Date
Post-Drafting Final Approvals	Section	Name	Approved	Date
	Democratic Services			
	Legal			
	Finance			
	Procurement <i>(approval must be sought from Procurement if your decision is contract / procurement related)</i>			
Director's Approval <i>Directors are requested not to sign if the above section is incomplete</i>				Date

Please delete this page before submitting your final report

CHECKLIST -

*Give consideration to the impact of the decision in respect of the following:

Financial
Legal
Corporate Priorities: Environment Capital
Crime and Disorder / Community Safety
Discrimination and Equality
Human Resources
ICT
Property
Procurement

Cross-Service Implications

How does your proposal affect colleagues providing related services? Have they been consulted?

Risk Assessment

Have you evaluated risks and identified remedial actions?

Consultees

Ward Councillor(s)
Parish Council(s)
Community Association(s)
Partner Organisation(s)
GPP or Partnerships
Trade Unions

Background Papers

Have you included all the Background Papers used in the report?

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