

AUDIT COMMITTEE

MONDAY 16 JULY 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 26 March 2018 **5 - 12**

4. Annual Governance Statement 2017/18 **13 - 36**

To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2018.

5. Annual Internal Audit Opinion 2017/18 **37 - 80**

To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2018.

6. Fraud and Investigations Annual Report 2017/18 **81 - 90**

To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2018.

7. Budget Outturn Report 2018/19 **91 - 124**

To receive, consider and comment on the Budget Outturn report 2018/19.

8. Audit of Statement of Accounts to those Charged with Governance (ISA260) 125 - 298

To receive the final Statement of Accounts for the year ended 31 March 2018 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.

9. Fees Report 299 - 304

To receive and consider the proposed Audit fees for auditing the 2018/19 accounts.

INFORMATION AND OTHER ITEMS

10. Quarter 2 Local Government Briefing 305 - 318

To receive an update on the Quarter 2 briefing from the external auditors.

11. Use of Regulation of Investigatory Powers Act 2000 (RIPA) 319 - 364

To receive and consider the updated RIPA Policy.

12. Approved Write-Offs Exceeding £10,000

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 26 March 2018, which exceed the Council's Financial Regulation threshold of £10,000.

13. Feedback Report 365 - 368

14. Work Programme 369 - 378



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Committee Members:

Councillors: S Nawaz, Mahabadi, D Over (Chairman), A Shaheed, A Iqbal, Warren and Aitken

Substitutes: Councillors: Fuller, Hogg and Joseph

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

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**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 26 MARCH 2018
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

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

Officers in

Attendance: Peter Carpenter, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Pippa Turvey, Democratic and Constitutional Services Manager
Fiona McMillan, Interim Director Law and Governance
Dan Kalley, Senior Democratic Services Officer
Natalie Moulton, Assistant Lawyer Project Delivery Team – Contracts and Procurement

Also in

Attendance: Kay McClennon, Manager, Governance & Public Sector Audit, Ernst & Young
Flo Barrett, Associate, Ernst & Young

51. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Bull. Councillor King attended as substitute.

52. DECLARATIONS OF INTEREST

No declarations of interest were received.

53. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 12 FEBRUARY 2018

The minutes of the meeting held on 12 February 2018 were agreed as a true and accurate record.

54. EXTERNAL AUDIT PROGRESS REPORT

The Audit Committee received a report in relation to progress on the audit of the Council's 2017/18 statement of accounts.

The Manager, Government and Public Sector of Ernst & Young introduced the report and requested the Committee to note the progress made on auditing the Council's 2017/18 statement of accounts. Members were informed that

planning work had been completed and the first nine months of auditing the income and expenditure accounts had also been completed.

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

55. SECTOR UPDATE (2018 Q1 AUDIT COMMITTEE BRIEFING)

The Audit Committee received a report in relation to sector briefing for Local Authority Audit Committees on Quarter one 2018.

The Manager, Government and Public Sector, Ernst & Young introduced the report. The purpose of the report was to help support the Committee in an environment that was constantly changing. The report outlined issues that had an impact on the Council. The report outlined technical issues as well as potential matters that were of interest.

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

- A briefing note from the Compliance Manager (Governance) on GDPR was to be circulated to members. Following the circulation of the briefing note a training sessions for Members was to be arranged.

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

ACTION AGREED

1. A briefing note on GDPR and training session to be organised by the Compliance Manager (Governance)

56. CHANGES TO THE CONSTITUTION

The Audit Committee received a report in relation to changes within the Council's Constitution. Members of the Committee were informed that a supplementary paper was produced following a meeting of the Governance Board on Tuesday 20 March 2018.

The purpose of the report was for the Audit Committee to recommend to Full Council a number of changes to the Constitution, including updating the petition scheme, changes to the Standing Orders, an update to the Member Officer Protocol and formalising Member training.

The Democratic and Constitutional Services Manager introduced the report and informed Members that these changes had been discussed at Governance Board. The key changes highlighted included alterations to the petition scheme, member officer protocol and changes to the standing orders to reflect the electronic voting system.

It was agreed at Governance Board that questions in relation to the Combined Authority would be allowed time to settle. With regards to the timings of motions it was agreed at Governance Board that timings for Council meetings as a whole would need to be looked at in greater detail and brought back to Audit Committee.

In addition the constitution had been updated to formalise training requirements for Members before being allowed to sit on committee's of the Council.

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

- Further amendments to the timings of the Council meeting in its entirety needed to be looked at in further detail. Any recommendations would be brought back to Audit Committee.

The Audit Committee considered and **RESOLVED** (Unanimously) to recommend to Full Council for approval:

1. The updated Petitions Scheme set out in Appendix 1 to the original report.
2. Changes to Council Standing Orders set out in Appendix 1 to the supplementary report.
3. The insertion of the wording to the Member Officer Protocol:
"Members will normally, as a courtesy, keep Ward Councillors advised of matters in the ward in which the resident they are dealing with lives. There may be circumstances where urgent or immediate action needs to be taken (such as safeguarding or health & safety issues) which means this communication/information sharing is retrospective."
4. The amendment of all Committee Terms of Reference to include:
For all Councillors to undertake training before being able to sit on committee.
For all Councillors to undertake refresher training once every three years, or yearly for the Planning and Environmental Protection Committee and the Licensing Committee.

57. CONSULTANT, INTERIM AND AGENCY WORKER POLICY

The Audit Committee received a report in relation to the consultant, interim and agency worker policy.

The purpose of the report was to review and approve the revised Consultant, Interim and Agency Worker Policy in order for the Council to comply with changes to tax legislation (IR35).

The Assistant Lawyer Project Delivery Team – Contracts and Procurement introduced the report and commented that the report outline the need to change the Consultants Policy to reflect changes to tax legislation. Officers also took the opportunity to update the policy as this had not been done for seven years. Members were made aware that there were now revised definitions of what constituted an interim and consultant. It was important to note that interim and

agency staff were different to consultants. The new policy had been streamlined and made more user friendly. If officers did not follow this new process there would be disciplinary action. All engagements of consultants needed to be recorded and held centrally. This had been consulted on with all DMT's to progress to Cabinet and training would be offered to all staff.

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

- A quarterly report would be beneficial to the Audit Committee to see how many staff were interims or consultants. This would be a standing item on the agenda.
- A yearly report used to be on the Committee's agenda, however this was a narrow report and needed to be brought in line to show all interim and consultants fees.
- The report would detail interims and consultants. A separate report on agency staff could be brought on an annual basis.

The Audit Committee considered and **RESOLVED** (Unanimous) to recommend for approval by the Cabinet, the revised Consultant, Interim and Agency Worker Policy, drafted in consultation with key stakeholders and officers to reflect compliance with procurement and HMRC regulations.

ACTION AGREED

1. A quarterly report on Consultants and Interims to be presented to Audit Committee

58. RISK MANAGEMENT - STRATEGIC RISKS

The Audit Committee received a report in relation to risk management as part of the routine report process to Audit Committee.

The purpose of the report was to receive an update on the role of the Risk Management Board and proposed minor changes to the Risk Management Policy.

The Service Director Financial Services introduced the report, the Committee had received report on 20 November 2017 setting out changes to the Corporate Risk register. The report in front of the Committee set out how this was to work going forward. At the next meeting there will be the first set of risks coming out. The first board meeting was held on 13 January 2018 and was chaired by the Corporate Director Regeneration and Growth and each directorate was represented by a senior officer. A second meeting was held on 7 March 2018 and the terms of reference were approved at that meeting, all amber and red risks were reviewed at this meeting. Going forward the meetings were to take place every second month.

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

- The Combined Authority was still in its infancy, however it was important that Peterborough had as much influence as possible on the Committee's being set up. At the moment not a lot of money had been allocated to what the Combined Authority would deliver. There needed to be as much discussion and communication with other authorities as possible. The Cabinet Member for Resources confirmed that this issue would be raised in a formal discussion with the leader of the Council to make sure that Peterborough's voice was heard as much as possible within the Combined Authority setting.
- On Combined Authority it was reported to the Committee that they had a first draft of their own strategic risk register that included Brexit, however it was important to note that this had not yet been approved by the Board. The remit of internal audit was to first get a strategy set up for the Combined Authority before analysing the strategy in detail. In terms of Peterborough, references had been made to Brexit in the MTFS and this had been approved at Full Council.
- Although Brexit was in the MTFS officers did not want to speculate on this as it was not possible to quantify.
- The new risk register had been split into quite a lot of detail divided by department. The remit for the Committee was to look at initial risks and to trust that officers were tackling those risks.
- Once departmental registers are reviewed the process was that those risks identified as red would be referred through to the Corporate Management Team to consider.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the latest Risk Management Report.

ACTION AGREED

1. The Cabinet Member for Resources to discuss with the Leader of the Council the importance of Peterborough's representation on all Combined Authority Committees

59. INTERNAL AUDIT STRATEGY, CHARTER AND AUDIT PLAN

The Audit Committee received a report in relation to the Internal Audit Strategy, Charter and Audit Plan.

The purpose of the report was to ensure the Committee reviewed and agreed audit activity for the year ahead.

The Chief Internal Auditor in introducing report provided a number of documents to the Committee to set out the internal audit process and how that Members could challenge the audit approach. Committee were informed that each internal audit service should be externally assessed every five years and this was currently being undertaken at Peterborough. Feedback on this would be provided to Committee at a future meeting.

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

- The function of Scrutiny Committees was to evaluate spending on the elderly rather than within the remit of Audit Committee. In addition this was also part of the budget setting process which each Political Group had the opportunity to be involved in this process.
- Adult Social Care Team could present to each political group a picture of the expenditure in their area and how much cost pressure or volume pressure there was in that area and how it achieved value for money..

The Audit Committee considered and **RESOLVED** (Unanimously) to agree:

1. The Internal Audit Charter for 2018/2019
2. The Internal Audit Code of Ethics
3. The Internal Audit Strategy and Plans for 2018/2019.

ACTION AGREED

1. Adult Social Services to provide training to each Political Group how their budget was spent and the pressures they faced.

60. REVIEW OF COMMITTEE EFFECTIVENESS

The Audit Committee received a report in relation the review of the Committees' effectiveness.

The purpose of the report was to provide Members with details of an internal assessment of the operations of the Audit Committee against best practice.

The Chief Internal Auditor introduced the report - it was important that the Committee viewed how they operated and how the Committee was able to self-assess their performance. There were a number of best practice guidelines that were available and the assessment had highlighted those areas of best practice in the report and appendices.

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

- It was important that training was given to new Members of the Committee and what gets presented to the Committee.
- New Councillors would be given training on the roles of all Committee's of the Council. This was also to be extended to all existing Councillors.

The Audit Committee considered and **RESOLVED** (Unanimously) to agree:

1. The draft response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee meets all of the good practice statements;
2. The draft responses to the CIPFA Knowledge and Skills Framework for local authority audit committees; and

3. Any actions which the Committee considers appropriate to amend or enhance the Committee's arrangements in light of the completed Knowledge and Skills Framework assessment and the CIPFA Audit Committee Toolkit checklist.

61. COUNTER FRAUD POLICIES

The Audit Committee received a report in relation to its Counter Fraud Policies and future approach in tackling fraud.

The purpose of the report was to provide Members with the Council's approach to tackling fraud and corruption.

The Chief Internal Auditor introduced the report. The Chief Internal Auditor had undertaken to review the Council's anti-fraud policies and to implement new strategies to take this forward so that they became embedded. Overall the Council could make improvements in reporting fraud. It was important to raise awareness further across the organisation and our partners.

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

- It was seen as best practice across the sector that £10,000 was the limit for cash deposits which could trigger money laundering. The closure of the cash office would not impact on this as there were other avenues where cash could be received.
- Since the cash office had now closed any cash deposits would have to be made at a financial institution that would comply with financial regulations.

The Audit Committee considered and **RESOLVED** (Unanimously) to agree:

1. Approve the updated counter fraud policies (**Appendices A - E**); and
2. Noted national studies produced in relation to fraud and corruption in local government (**Appendices F - G**).

62. ANNUAL AUDIT COMMITTEE REPORT

The Audit Committee received a report in relation to the Audit Committee's Annual Report that was to be submitted to Council.

The purpose of the report was to provide Members with the work of the Committee over the past 12 months and to reflect this to Full Council.

The Interim Director Law and Governance introduced the report and stated that the report outlined the key work areas of the Committee and plans going forward.

The Audit Committee considered and **RESOLVED** (Unanimously) to agree to recommend the submission of the Annual Audit Committee Report to Full Council for approval.

INFORMATION AND OTHER ITEMS

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

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

64. APPROVED WRITE-OFFS EXCEEDING £10,000

The Cabinet Member for Resources confirmed that 0.3% of income that had been written off in the report presented to the Committee in the previous cycle, the majority of this was down to businesses failing.

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

65. FEEDBACK REPORT

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

7:00pm – 8.00pm
Chairman

AUDIT COMMITTEE	AGENDA ITEM No. 4
16 JULY 2018	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Director of Corporate Resources Fiona McMillan, Interim Director of Law and Governance	
Cabinet Member responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

ANNUAL GOVERNANCE STATEMENT 2017 / 2018

R E C O M M E N D A T I O N S	
FROM : Acting Director of Corporate Resources Interim Director of Law and Governance	Deadline date : N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> 1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement; 2. Review and comment on the Annual Governance Statement including any areas which should be amended; and 3. Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following referral from the s151 Finance Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.

2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following:

- 2.2.1.14: To oversee the production of the authority's Annual Governance Statement and to recommend its adoption; and
- 2.2.1.15: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	–
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4. **BACKGROUND**

- 4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2017 / 2018 reporting year.
- 4.2 This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 4.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
 - High quality services are delivered efficiently and effectively;
 - The Council's values and ethical standards are met;
 - Laws and regulations are complied with;
 - Required processes are adhered to;
 - Its financial statements and published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.

5. **ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT**

- 5.1 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. The assurance gathering process to support the AGS is set out in **Appendix A**.

6. **SUPPORTING EVIDENCE**

- 6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.
- 6.2 Internal Audit: Annual Internal Audit Opinion 2017 / 2018
- 6.2.1 The annual report from Internal Audit is elsewhere on this agenda. The key issues are:
- Internal Audit progress reports are included as part of the Committees' Work Programme and any significant control and governance issues or material to the overall control environment of the Council are highlighted;
 - The Annual Audit Opinion highlighted some gaps which needed to be addressed;
 - Despite some weaknesses, there remains a sound internal control environment. Reasonable assurance is provided and an unqualified opinion put in place;
 - There is overall compliance with the CIPFA publication on the Role of the Head of Internal Audit together with the Public Sector Internal Audit Standards; and
 - Overall, positive assurance can be provided on the service.

6.2.2 In conclusion, the Annual Audit Opinion to the Audit Committee provides a reasonable assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above.

6.3 External Audit

6.3.1 Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council. The content of the letter was reported to Cabinet and Audit Committee (November 2017) and overall is positive and states that the Council is performing well. The key messages are:

EXTRACT FROM ANNUAL AUDIT LETTER: NOVEMBER 2017	
Review Area	Commentary
Opinion on the Councils: Financial Statements	Unqualified – The financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
Opinion on the Councils: Consistency of the information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
Reports by Exception: Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
Reports by Exception: Public interest report	We had no matters to report in the public interest.
Reports by Exception: Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
Reports by Exception: Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 13 September 2017 and presented to the Audit Committee on 25 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 27 September 2017.

6.3.2 In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2016 / 2017 Financial Accounts and confirms an effective system of internal control.

6.4 Internal Control and Governance Self-Assessment

6.4.1 Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in February 2018 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The areas covered within the assessment were:

- Management Arrangements;
- Health and Safety;
- Business Continuity and Emergency Resilience;
- Equality and Diversity;
- Financial Management;
- Procurement Arrangements;
- Risk Management (including Project Management);
- Performance Management and Data Quality;
- Information Governance;
- Management of People;
- Governance Arrangements, Laws, Regulations, Policies and Procedures;
- Anti-Fraud and Corruption;
- Partnership Governance;
- Communications and Customer Services; and
- Public Health.

6.4.2 Sample testing was undertaken to ensure the robustness of the data supplied. While no adverse comments were received in relation to the controls in place, a number of areas have been identified as requiring attention and these have been reflected in the Action Plan within the AGS.

6.5 Risk Management

6.5.1 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives (the latest update to Audit Committee being in March 2018).

6.5.2 Internal changes to the monitoring and challenge of risk have been made which has increased its profile across the organisation. This positive step will take time to embed but will enable officers and the Audit Committee to place greater reliance on the arrangement to manage and mitigate risk.

6.6 Corporate Governance

6.6.1 Regular updates on governance arrangements are reported through Corporate Management Team, Cabinet, Audit Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to Audit Committee. With the ongoing changes across the organisation, there is a pressing need to ensure that corporate governance responsibilities are communicated to all.

6.6.2 Following analysis and verification, the AGS (**Appendix B**) reflects the key issues of the Council.

7. **CONSULTATION**

One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. Following drafting, the AGS was presented to Corporate Management Team for comment, challenge and update on 18 April 2018.

Following a number of amendments the attached AGS was agreed with the Acting Director of Corporate Resources and the Chief Executive on 20 May 2018. The AGS has then been included within the published draft Statement of Accounts on 29 May 2018.

8 ANTICIPATED OUTCOMES OR IMPACT

The documents are presented to the Audit Committee for review and to then advise the Leader and Chief Executive upon for sign off by the Leader and the Chief Executive for inclusion in the Statement of Accounts.

9. REASONS FOR RECOMMENDATIONS

The AGS sets out the framework for the Council and identifies some issues where action is planned to improve the level of governance.

10 ALTERNATIVE OPTIONS CONSIDERED

In line with accounting requirements the Council has to publish an Annual Governance Statement based on a prescribed format.

11 IMPLICATIONS

This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications, however, in order to maintain financial control and address risks as identified within the Statement, Directorates may need to allocate resources from within their existing budgets.

12. BACKGROUND DOCUMENTS

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

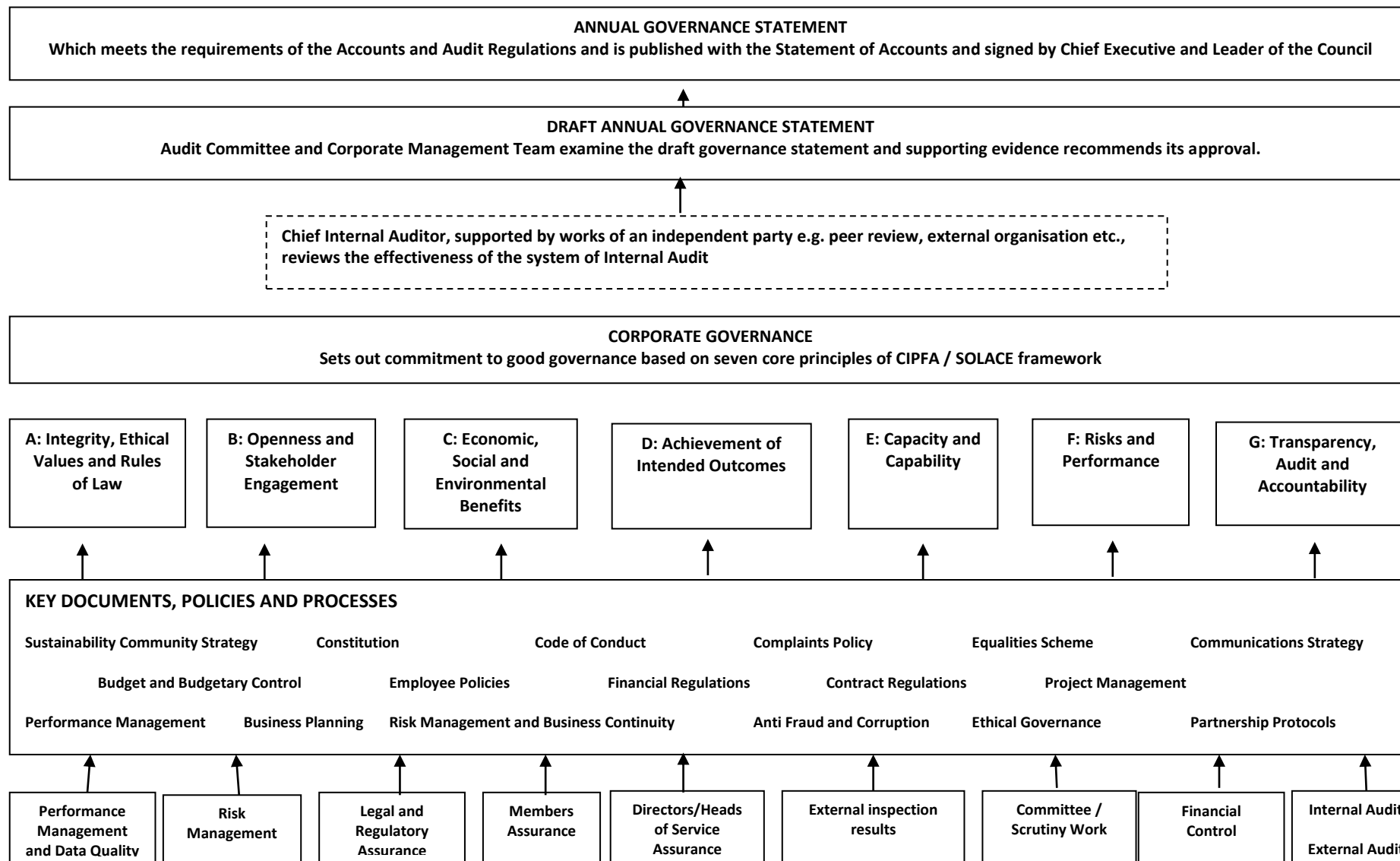
1. Delivering Good Governance in Local Government (CIPFA / SOLACE)
2. Accounts and Audit (England) Regulations 2015
3. Directors: Internal Control and Governance Self-Assessment templates

13. APPENDICES

Appendix A: Framework for the Annual Governance Statement

Appendix B: Annual Governance Statement

PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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Annual Governance Statement

Scope of Responsibility

Peterborough City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

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

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Acting Director of Corporate Resources):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Management Team.

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2018 / 2019 to address these issues will be reported regularly to Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

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

The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

The key elements of the Councils governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is covered by the Code of Conduct.
- Third party challenge to the Councils operations is through a publicised complaints procedure.
- Confidential concerns can be raised through a Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raise awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which sets out the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.
- The Acting Director of Corporate Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work towards Public Sector Internal Audit Standards.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Interim Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives.
- Council meetings are open to every citizen.

- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, Fletton Quays residential proposals.
- The Council is now a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Consideration of the budget took place at Full Council on 7 March 2018. Due to increasing cost pressures on Adult Social Care the Council Tax recommendation again resulted in a specific 3% increase to be implemented to finance expenditure in this area.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management needs to be embedded and this has been enhanced by the creation of a Risk Management Board to ensure consistent treatment and action.
- Our Efficiency Strategy 2016/17 – 2019/20 sets out how we are delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- Significant changes to services are supported by an Equality Impact Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2018 / 2019 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council in order to discharge its functions on Health operates a dedicated Health Scrutiny Committee.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.
- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and is seeking to also achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service, complying with best practice. Findings are reported to Audit Committee.
- Certain key partners who provide essential council services are subject to independent oversight by Committees.
- The Constitution is reviewed on an annual basis.

Principle F: Managing risks and performance through robust internal control and strong public management

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members are inducted prior to the Annual Meeting.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to external audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.
- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities interests.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2017 / 2018, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance. It should be noted, as per table 2, that one of the new issues to be addressed is a full review of existing governance processes. This is required in particular as more services are delivered with Cambridgeshire County Council to ensure both Council's Governance requirements and present best practice is taken account of.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed, by Audit Committee.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

An External Audit of the accounts year ended 31 March 2017 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers were of high quality.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address.

Table 1 below sets out the governance issues which were reported on in 2016 / 2017 and the progress in addressing them.

Table 1: 2016 / 2017 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.1	INNOVATION AND GOVERNANCE Lead: Director of Governance	Gap: Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements. Proposal: An Organisation Change Board has been created to drive forward the transformation programme with representatives from all departments	Arrangements have been redefined to encompass workstream leads from key areas of the business to drive forward new ways of working. The agile working group sits under the Programme Manager with accountable leads responsible for the move to Sand Martin House. Arrangements have been put in place to strengthen the Programme Management Office to oversee corporate change. Building blocks have been put in place but outcomes cannot be fully quantified at present. Work will continue throughout 2018.
17.2	OPERATING POWERS Lead: Director of Governance	Gap: Changes in statutory duties; ongoing changes in the work of local government and the role in relation to other agencies means that the Council needs to monitor the scope of duties, powers and expectations. Proposal: Regular reviews will continue of the business of the Council; and the Constitution which drives it. Reports through Corporate Management Team to Cabinet and various Committee will ensure that legal implications are fully appraised.	The Council's Constitution is kept under close review and amended where required, with reports on significant changes being made are reported through to the Governance Board, Audit Committee and Full Council and then implemented. (ACTION COMPLETE)

17.3	<p>NEW ARRANGEMENTS</p> <p>Lead: Director of Governance</p>	<p>Gap: Establishing and maintaining the Combined Authority (CPCA).</p> <p>Proposal: Separate arrangements have been set up for the governance and constitutional arrangements. The Council will look to develop effective partnership relationships with the new authority. The Leader of the Council is a member of the Combined Authority. Council officers will contribute to appropriate projects and working groups.</p>	<p>CPCA has been operational since March 2017. Regular feedback / briefings are provided to the Council on its work / deliverables etc.</p> <p>(ACTION COMPLETE)</p>
17.4	<p>SCHOOL ATTAINMENT</p> <p>Lead: Corporate Director: People and Communities</p>	<p>Gap: Damage to reputation through poor performance in published league tables compared to the national average.</p> <p>Proposal: Improvement plans and a programme of training has been developed and there is ongoing monitoring to look at the effectiveness of this in raising attainment in Peterborough schools.</p>	<p>The improvement programme is now in delivery phase. A new Service Director has been appointed. Early analysis predictions suggest improved attainment again for the 2018 academic year results at KS2.</p> <p>However, any increases in attainment levels are too early to fully quantify so the action will continue to be monitored throughout 2018.</p>
17.5	<p>SCHOOL PLACES</p> <p>Lead: Corporate Director: People and Communities</p>	<p>Gap: Demographic changes and new developments are placing increased strains on the schools places available.</p> <p>Proposal: Work is undertaken to model availability and reports are referred to Scrutiny and Cabinet for decisions.</p>	<p>An updated school organisation was presented to Children and Young People Scrutiny Committee in March 2018. All demand has been met but there remains an ongoing pressure in Infant year groups and a longer term challenge in Secondary schools. A full plan allows for these challenges.</p> <p>(ACTION COMPLETE)</p>

<p>17.6</p>	<p>WORKFORCE PLANNING</p> <p>Lead: Director of Governance</p>	<p>Gap: The Council is undergoing tremendous organisational change. This will create significant workforce issues around having the right skills, people and employee capacity. The Council will require employees to have different skill sets that underpin a transformed business model.</p> <p>Proposal: Human Resources have developed a series of training and workforce development schemes to ensure that the organisation is future proof. This is closely linked in with 1 above.</p>	<p>Sharing of officers and services between Peterborough City Council and Cambridgeshire County Council has been developed and implemented. Other services are also linked with other Councils.</p> <p>During the course of the year additional support has been explored and provided via the Workforce Training and Development model Cambridgeshire County Council utilise. This has been scaled and adapted to PCC's immediate requirements. This continues to be reviewed & developed especially as we revise our workforce strategy in light of the exploration of wider shared service arrangements with CCC.</p> <p>Ongoing works in this area will be delivered throughout 2018.</p>
<p>17.7</p>	<p>NEW WAYS OF WORKING</p> <p>Lead: Corporate Director: Resources</p>	<p>Gap: Linked to 6 above, as the Council gears up to move to new accommodation, it is critical that the appropriate tools are in place to cope with smarter ways of working.</p> <p>Proposal: Close partnership working is in place to ensure that accommodation; technological requirements; business, staff and stakeholder needs are met to deliver practical solutions in a leaner manner. Regular reports on progress are referred to Corporate Management Team.</p>	<p>Governance remains in place with a senior project Board which oversees progress of the Fletton Quays Programme. Responsible officers are held accountable for progress in respect of their workstreams. Agile working group continues to be a workstream attached to this project and is closely aligned to the HR workstream which encompasses a whole policy review.</p> <p>Development of policies are on track. Regular updates provided to managers / briefings etc. as we move towards relocation during 2018.</p>

<p>17.8</p>	<p>INFORMATION</p> <p>Lead: Director of Governance</p>	<p>Gap: The Council is increasingly managing, storing and maintaining personal data and information as part of the delivery of services. With data held in a vast array of places and transferring between supply chain partners, it becomes susceptible to loss, protection and privacy risks.</p> <p>Proposal: Information is paramount to the successful delivery of all services. Regular reviews of sharing protocols are in place.</p>	<p>The Council has undertaken a review of each service in terms of what personal information they collect, store and use as well as share. This review is line with the type of information needed to aid with GDPR compliance as well as the UK forthcoming Data Protection Act. This also ties into the Council's work on retention of information, system security, capabilities of those systems and the continuing development of the information asset register. The Information Governance team has issued factsheets and different media format guidance to staff on topics such as being secure, being aware of what data protection means to them. Senior managers have had briefings on the changes and the importance of being data protection aware. The Council has also now embedded privacy impact assessments in Verto project management and are preparing guidance on the completion of a Privacy Impact Assessment for officers.</p> <p>A members toolkit is under development to aid our Members with understanding their roles and how Data Protection affects them. It is expected to be available in July 2018. The Council continues to monitor and manage data incidents to minimise impact on the affected user as well as the business and reputation of the Council.</p> <p>Deadline for compliance with GDPR is 25 May 2018. Ongoing monitoring will be provided to CMT with further briefings to Members and officers.</p>
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<p>17.9</p>	<p>CYBER SECURITY</p> <p>Lead: Corporate Director, Resources</p>	<p>Gap: It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management. The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate this risk, it is essential to raise awareness and commit to implementing a cyber security, risk averse culture.</p> <p>Proposal: Regular system monitoring and reporting is in place throughout the Council on the threats and actions to mitigate.</p>	<p>Our ICT partner, Serco, commissioned an external review of the ICT security arrangements and a report was received in Autumn 2017. The Council and Serco will look to address issues identified during 2018 in line with the draft action plan.</p>
<p>17.10</p>	<p>FRAUD, CORRUPTION AND SERIOUS ORGANISED CRIME</p> <p>Lead: Corporate Director, Resources</p>	<p>Gap: Pilot studies have been undertaken in a number of regions which has resulted in a best practice checklist being established to ensure that local authorities have sound and robust procedures to reduce the threat of Serious Organised Crime impacting on Council activities</p> <p>Proposal: Internal Audit will liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.</p>	<p>Internal Audit have undertaken a risk assessment against the Serious Organised Crime checklist. An initial focus has been on gifts and hospitality and will be reported on as part of Annual Audit Opinion.</p> <p>Limited frauds have been identified in year and Counter Fraud policies have been revisited, updated, referred to and approved by Audit Committee in March 2018.</p> <p>Works will now focus on raising awareness etc. through training and briefings in 2018 / 2019 and steps taken to review impact and existence of fraud.</p>

<p>17.11</p>	<p>SCHOOL STATUTORY TESTING</p> <p>Lead: Corporate Director, Resources</p>	<p>Gap: There are statutory requirements under several sets of regulations which require regular inspections and tests of systems and equipment. These can include lifts, hoists, air conditioning units, pressure systems, local exhaust ventilation systems and gas or electrical installations. An Internal Audit review of schools identified limited evidence that the programme of work was being managed or monitored.</p> <p>Proposal: As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.</p>	<p>There are ongoing meetings reviewing delivery of improvements. Separate reviews are in train covering Health and Safety across the Council estate to ensure consistence of approach.</p> <p>It is anticipated that actions will not have been completed until early summer.</p>
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As part of regular reviews of the governance, processes and procedures across the Council, a number of new issues to be addressed have been identified during 2017 / 2018. These are documented in Table 2 below.

Table 2: 2017 / 2018 NEW ISSUES TO BE RESOLVED			
	Area of Assurance	Gap	Proposal to Mitigate
18.1	FINANCIAL MANAGEMENT Lead: <ul style="list-style-type: none"> Acting Director of Corporate Resources 	<p>The budget for the Council is underpinned by a number of transformation projects and savings targets.</p> <p>There is a requirement to ensure that there is appropriate monitoring of these to ensure that these remain on track or alternatives options put in place to ensure the budget remains balanced.</p>	<p>Budgets will be developed to enable an ability to flex the budget so that savings / proposals can be moved between years if they cannot deliver early enough. Savings initiatives are now logged on Verto and will be reviewed as part of the monthly monitoring process.</p> <p>This will be linked with the establishment of quarterly budgets. This will give the Council the ability for earlier delivery of budget initiatives.</p> <p>Delivery Target: Budget Preparation: <ul style="list-style-type: none"> Tranche 1- June 2018 Tranche 2 – Autumn 2018 Tranche 3 – Spring 2019 Budget Monitoring <ul style="list-style-type: none"> To each Cabinet meeting (most up to date information). Officers – Monthly review. </p>
18.2	COUNCIL GOVERNANCE Leads: <ul style="list-style-type: none"> Chief Executive; Interim Director of Law and Governance; Acting Director of Corporate Resources 	<p>Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes.</p> <p>There is a requirement to simplify the arrangements so as to close off any ambiguity or other avenues which could be used if a decision has already been made to reject.</p>	<p>An overarching review of governance arrangements will be commissioned. This should include as a minimum all decision making processes, contract rules, financial rules etc. Comparisons will be made with Cambridgeshire County Council so as to ensure consistency as joint arrangements are extended.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> Completion – December 2018

<p>18.3</p>	<p>PROCUREMENT AND PROJECTS</p> <p>Lead:</p> <ul style="list-style-type: none"> Acting Director of Corporate Resources 	<p>Linked with 2 above, there is a need to ensure that consistent approaches are used to develop business cases for each project. Furthermore, as part of the delivery phase, appropriate arrangements are required to ensure compliance with contract rules.</p>	<p>Development of the Programme Management Office.</p> <p>In addition, the review of Financial Regulations will reflect these requirements.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> Links to 18.1 and 18.2
<p>18.4</p>	<p>CORPORATE FRAUD</p> <p>Lead:</p> <ul style="list-style-type: none"> Chief Internal Auditor 	<p>With finite resources across the Council, there is a need to ensure that funds are used for their intended purpose and are not being misused or misappropriated. There are limited levels of fraud reported on across the Council. The Council will look to raise awareness across all departments, its contractors, suppliers and partners.</p>	<p>Corporate Fraud policies have been updated and reported to Audit Committee in March 2018.</p> <p>Appropriate training and raising awareness will be delivered to officers, Members and our key partners. A detailed Action Plan will be produced and reported through CMT and Audit Committee.</p> <p>Proactive works will be undertaken during the year. The Council will continue to take part in the National Fraud Initiative.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> September 2018 onwards
<p>18.5</p>	<p>IT GOVERNANCE</p> <p>Lead:</p> <ul style="list-style-type: none"> Interim Director of Law and Governance 	<p>Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline</p>	<p>Regular reporting on progress on compliance will be made to CMT and any areas of concern will be addressed.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> Monthly reports to CMT April and May 2018 and then by exception thereafter.

<p>18.6</p>	<p>EMERGENCY PLANNING AND BUSINESS CONTINUITY</p> <p>Lead:</p> <ul style="list-style-type: none"> • ALL Directors 	<p>The Council recognises the importance of putting in place robust arrangements for disaster recovery etc. This will mitigate the risk to the Council that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders.</p>	<p>Ensure that all Business Continuity Plans / Emergency Plans are reviewed reflecting any organisational structure and officer contact changes. These will need updating on the move to Fletton Quays.</p> <p>Provide training to officers involved in the reviewing and activation of Business Continuity Plans. Recent training at Cambridgeshire County Council will be explored for relevance and potential roll out.</p> <p>Activate a number of scenarios which could impact on service delivery (through a test environment). Evaluate their success in bringing back systems etc. in line with planned timescales and expectations.</p> <p>Quotes are being obtained to ensure that the Council has Terrorism insurance cover which was previously removed.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> • Existing arrangements reviewed by end of July 2018 • All arrangements reviewed 100% in October 2018 following move to Fletton Quays.
<p>18.7</p>	<p>PARTNERSHIPS</p> <p>Leads:</p> <ul style="list-style-type: none"> • Interim Director of Law and Governance • Acting Director of Corporate Resources 	<p>The Council has working relationships with a range of organisations and providers. There is a need to ensure there is effective oversight of each by Members and ongoing monitoring of delivery by officers.</p>	<p>An annual review of all alternative delivery models will be undertaken (e.g. LLPs, partnerships, significant contracts etc.)</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> • Review of arrangements of oversight for LLPs, partnerships and significant contracts and alternative delivery models – December 2018

18.8	<p>EQUALITY AND DIVERSITY</p> <p>Lead:</p> <ul style="list-style-type: none"> • Interim Director of Law and Governance 	<p>While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date.</p> <p>Policy was approved by Employment Committee January 2011. Last revision of the policy was February 2017</p>	<p>The Council will undertake a review of its action plans to ensure it remains current to its needs.</p> <p>Delivery Target:</p> <ul style="list-style-type: none"> • Review by December 2018.
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Summary

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council’s review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continually throughout the year.

Certification

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

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

Signed: Councillor Holdich, Leader of the Council

Signed: Gillian Beasley, Chief Executive

AUDIT COMMITTEE	AGENDA ITEM No. 5
16 JULY 2018	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

ANNUAL INTERNAL AUDIT OPINION 2017 / 2018

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter, Acting Director of Corporate Resources	Deadline date: N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> 1. Receive, consider, provide challenge to and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2018. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2017 / 2018 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the council.

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out key roles of the Committee including the following 2.2.1.1

“To consider the annual report and opinion internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements.”

2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2017 / 2018.

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 Internal Audit Opinion is based on review work undertaken during the period April 2017 to March 2018 and is set out in the attached **Appendix A**.

4.2 In preparing the opinion, the Chief Internal Auditor has reviewed all audit activities carried out

relating to 2017 / 2018. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report as an executive summary within **Appendix B**. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes. During the year an annual survey has been undertaken regarding internal audit services provided to managers and members. The results of the survey are detailed within **Appendix C**.

- 4.3 The overall conclusion based on our work is that Peterborough City Council has a sound governance framework from which those charged with Governance can gain **reasonable assurance**. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound although there are some areas where improvements are necessary. However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

5. CONSULTATION

- 5.1 Summary committee reports are produced and discussed periodically through Audit Committee for information and challenge. All audit reports are issued to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee in accordance with the agreed Audit Charter (last approved by Audit Committee March 2018).

The Annual Audit Opinion is issued to our External Auditors as part of their programme of works to review and close the accounts.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 That the Audit Committee is informed of the Internal Audit Opinion and the work carried out by Internal Audit to support this.

7. REASON FOR THE RECOMMENDATION

- 7.1 In accordance with the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government 2006 and the Public Sector Internal Audit Standards (2017), this report summarises the work of the Internal Audit section and its outcomes relating to the review of internal control for the last financial year. This is incorporated with the results of other reviews to produce the required Annual Governance Statement.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Public Sector Internal Audit Standards require that an annual report reviewing the activities undertaken of Internal Audit along with the overall opinion of the organisations control environment is produced and presented to the Audit Committee. There are therefore no other options considered as appropriate.

9. IMPLICATIONS

Financial Implications

- 9.1 None

Legal Implications

- 9.2 There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk

management as a basis for the Annual Governance Statement.

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

10.1 Internal Audit Plan 2017 / 18
Internal Audit Reports
Internal Audit Annual Survey 2018

11. APPENDICES

11.1 A – Head of Internal Audit Annual Opinion
B – Executive Summaries
C – Internal Audit Annual Survey 2018

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APPENDIX A

**ANNUAL AUDIT OPINION
2017 / 2018**



ANNUAL REPORT

1. Introduction
 2. Arriving at an Opinion
 3. Opinion 2017 / 2018
 4. Basis of Annual Opinion
 5. Resourcing and Performance
 6. Assurance Levels and Recommendations
- Appendix Audit Reports Issued: Opinion of Limited Assurance or No Assurance

1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Acting Director of Corporate Services, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2017 / 2018. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

2.2 **Risk Based Planning**

Internal Audit continues to embrace the risk assessment approach to audit. A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. During the course of the year the risks of the Authority are continually reviewed and used to update the plan. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Risk based reviews of fundamental financial systems that could have a material impact on the accounts, and other departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Contract, procurement, performance and project audits; and
- Audits of Council establishments.

2.3 The Audit Review

There are three elements to each internal audit review.

- Firstly, the control and risk environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to establish an opinion on the adequacy of the control framework in place.
- However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to form a view on the extent to which the control environment, designed to mitigate risk, is being complied with.
- Finally, where there are significant control weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.4 Reporting

Where appropriate, each report we issue during the year is given an overall opinion, as shown in the table below.

Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, grant reviews, involvement in working groups and follow-ups (unless further recommendations are made). However the certification of grant work should indicate that at the point of approval, information being submitted to external organisation meets required criteria. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.

LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

RECOMMENDATION GRADES	
Grade	Description
CRITICAL	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

3. **OPINION 2017 / 2018**

As Chief Internal Auditor, in line with Public Sector Internal Audit Standards and prior best practice, I am required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. I have undertaken the following in order to form a basis for providing my assurance:

- Assessed the quantity and coverage of internal audit work against the 2017 / 2018 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Considered any significant actions not accepted by management and the consequent risks, of which there were none;
- Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Councils objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to Council committees; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Opinion for 2017 / 2018:

*I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes. **In my opinion, the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives.** In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.*

Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.

Chief Internal Auditor
June 2018

4. **BASIS OF ANNUAL OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2018 is detailed at the end of the report and lists each audit and individual result in terms of the audit assurance level and the number of recommendations made. A summary of assurance levels is detailed below. This shows that 84% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2015 / 2016: 76% and 2016 / 2017: 60%). It is worth noting that the opinion titles and terminology changed in 2016 / 2017 and, although they are broadly comparable to those used previously, we no longer have the option of a Full Assurance category.

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Full	0	n/a	n/a	0	n/a	n/a
Substantial / Significant	13	5	1	76	33	5
Reasonable	n/a	4	14	n/a	27	79
Limited	3	5	2	18	33	11
No	1	1	1	6	7	5
	17	15	18	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2015/16	2016/17	2017/18
Low	39	35	30
Medium	56	62	47
High	37	42	31
Critical	0	0	0
	141	139	108

- 4.2 In addition to the audits detailed in the above table, further audit work was carried out, including 2 follow-ups, 11 grant reviews, 10 pieces of consultancy or unplanned work, as well as 7 governance reports. At the year-end 9 audit reviews and 2 follow up were in various stages of completion and audit opinions relating to these will be reported during 2018 / 2019 as part of the agreed performance reporting timetable to the Audit Committee.
- 4.3 **Corporate Governance**

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance framework to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

4.4 **Risk Management and Business Continuity**

The Risk Management Board was formed during the year which replaced the previous risk management working group. The Board includes Internal Audit representation and meets to discuss emerging issues and changes in risk both strategically and operationally. Risk registers are updated by departments each month and the Strategic Risk Register is reported to Audit Committee. The risk management team and Board/working group have developed a process to cascade the high level risks from Departmental registers to the Strategic register to ensure a robust reporting mechanism. Additionally Verto (PCC's project management system) has been developed to be utilised for recording strategic, operational and project risk. In addition to this a fraud risk register has been produced by internal audit which is going to be incorporated into future fraud and risk awareness training. The Resilience team continues to lead and co-ordinate risk management within the organisation.

4.5 **Key Financial Systems**

One or more of the authority's key financial systems is reviewed every year, based on an assessment of risk. This year, Accounts Payable has concluded and Accounts Receivable is presently in process of being reviewed. Planned reviews for Payroll and Budgetary Control have not been undertaken due to available resources but additional unplanned reviews have been undertaken as replacements which have included Budget Risk assessment against the Medium Term Financial Strategy along with processes to be introduced following the closure of the cash office. Areas assessed have indicated that reasonable assurance can be given for the reviewed systems.

4.6 **External Activities**

Internal Audit has undertaken a number of reviews under a Service Level Agreements with Vivacity Leisure Trust. The nature of the works undertaken are confidential between internal audit and the client and are not incorporated into or form part of the Head of Internal Audit Annual Opinion.

4.7 **Allegations of Fraud / Irregularity and Breaches of Code of Conduct**

Internal audit also includes the investigations team who are responsible for reviewing council tax fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Work has also concluded with regards to the National Fraud Initiative where Internal Audit review and investigate data matches over a variety of subject areas. A key focus for the team moving forward is to raise the awareness of the risk of potential fraud within the organisation with the intention to develop training/e-learning for staff.

4.8 Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. Where the resultant reports have been issued as a final, executive summaries are provided within Section 7.

Reports for 16 July 2018

- Materials Recycling Facility
- Blue Badges
- Winyates

4.9 Significant Issues

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. There is nothing additional to report at this stage based on the work undertaken during the year.

5. RESOURCING AND PERFORMANCE

5.1 Resourcing

5.1.1 During 2017 / 2018, resources were made up as follows:

Chief Internal Auditor	1 post	0.55 FTE	
Group Auditor	2 posts	1.46 FTE	
Principal Auditor	1 post	0.50 FTE	
Senior Auditor	2 posts	1.00 FTE	1 Vacancy (0.8 FTE)
Auditor	1 post	1.00 FTE	
	TOTAL	4.51 FTE	

5.1.2 The audit plan was based on a full establishment with plans to recruit to a vacancy arising from 1 April 2017 and the Chief Internal Auditor to be 100% Peterborough City Council from September 2017. Recruitment did not take place during the year and the Chief Internal Auditor continued operating within the shared service arrangement until 31 December 2017 resulting in resources being 0.95 FTE lower than reported in the original plan for 2017 / 2018.

- 5.1.3 The shared service arrangement with Cambridge City Council and South Cambridgeshire District Council, which has delivered efficiency savings concluded during the year with the Chief Internal Auditor returning to Peterborough City Council 100% from January 2018. Prior to this time the Chief Internal Auditor's full time post was split between the authorities with South Cambridgeshire District Council receiving 20% of the post and Peterborough and Cambridge both receiving 40%. The average allocation including the contractual changes resulted in Peterborough receiving 0.55 FTE during the year rather than 0.70 FTE due to the shared service arrangement being extended to December.
- 5.1.4 In addition to the Internal Audit shared service arrangement the Chief Internal Auditor has management responsibility for the Insurance Team and the Compliance Team. He also oversees and undertakes reviews for Stage 2 complaints investigations. This time is included within the 0.55 FTE time in 5.1.1.
- 5.1.5 The level of sickness within the Internal Audit team is reasonably low with 5 days per person reported during the year compared to 3.0 days per person at the same time last year. Absence was predominantly due to one instance and is also below the corporate target of 8 days.

5.2 Performance

- 5.2.1 Audit days have been delivered to target after deducting the available days due to the reduction in resources. Where reviews were not delivered, this was due to changes in priority or as a result of reduced resources as detailed in 5.1.1. Contingency time has been carefully managed to try to deliver as many reviews as possible where additional reviews or requests for consultancy work have been requested. As the organisation is continually going through a cycle of change, business needs will also change. Some of the previously requested or planned reviews were found to be no longer appropriate or a priority and have not therefore been undertaken in agreement with the business. Where reviews are still considered to be pertinent they have been rescheduled to be undertaken during 2017 / 2018 using audit assessment criteria.
- 5.2.2 All reports, plans and progress reports have been produced in accordance with agreed timescales and presented to Members via the Audit Committee. The Annual Governance Statement was reviewed by External Audit without any adverse comments.
- 5.2.3 Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our annual customer survey which includes feedback from both management and members. Detailed results are reported in **Appendix C**. Internal Audit have also provided services to external customers and positive comments have been received regarding the reviews undertaken. This work has generated additional funds for the Council.
- 5.2.4 Where we have received responses to audits, 98% of the recommendations made in 2017 / 2018 have been accepted, against a target of 90%.
- 5.2.5 Where we have conducted follow-ups, we found that 90% of high and medium priority recommendations that were agreed have been implemented, against a target of 90%.

- 5.2.6 An external review of the Internal Audit function against Public Sector Internal Audit Standards was commissioned in 2017 / 2018 as part of a 5 year cycle and the formal report and any associated required actions are awaited. Outcomes will be reported to the Audit Committee accordingly once finalised.
- 5.2.7 As part of the teams Code of Ethics, auditors are required to declare any potential conflicts of interests on an annual basis. This process was further developed during the year and the requirement to record any conflicts of interests has been introduced to each audit review. During the year there were no instances where audit staff were unable to discharge their responsibilities due to any conflicts of interest.
- 5.2.8 Internal Audit are continually exploring ways of trying to add value to the organisation by assisting in improving working process within the team and also within audit activities undertaken. This is also evident from the annual survey recently conducted where the comments we have received are reflective of the fact that management appreciate our proactive approach. Areas of work worthy of mention include:
- Continuation of audit services provided to external organisations Cambridge and Peterborough Combined Authority and Vivacity which generate income for the council;
 - The team aims to be responsive to the organisations needs and audit activities have been fluid during the year to meet the changing risk environment with limited resources;
 - Working with the Connecting Families Team where there has been a 35% increase in the number of claims from last year, which have become more complicated in demonstrating outcomes plan meet required criteria to claim PBR monies. Internal Audit have worked with Connecting Families to enhance their processes and checks so that we can place reliance on data for this year;
 - The team has similarly worked closely with the Transport and Environment Team to improve the data capture/analysis processes and thus data accuracy for Carbon Commitment Reduction. This is with a view to them introducing their own checks as part of their processes so that more reliance can be placed on that reducing the need for in depth audits;
 - Collaborating with other authorities in the effective delivery of audit reviews where discussions were held with the CCC Audit Team when preparing the 2018 / 2019 Audit Plan and PCC co-ordinated the Materials Recycling Facility Contract Review on behalf of other Cambridgeshire authorities;
 - The development of a new planning approach which is reflective in the 2018 / 2019 Annual Plan resulting in audit activities continually being assessed to meet the priorities and needs of the council whilst increasing value to the organisation;
 - A proactive member of the Cambridgeshire Audit Group (CAMSAG) where audit plans are shared to identify common themes or areas for joint working. Training requirements are also incorporated into a joint annual training day which continues to demonstrate value to audit activities as well as being delivered in a cost effective way; and
 - Actively being a fore runner on the councils agile working agenda, developing in house processes / systems further as the team relocates to Fletton Quays In August 2018.

6. ASSURANCE LEVELS AND RECOMMENDATIONS 2017 / 2018

Where audits are "shaded", these represent those jobs not started or removed from the plan at 31 March 2018.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Accounts Receivable	Serco / Resources							IN PROGRESS A review of billing and debt recovery arrangements. Initial indication is that additional resource and monitoring has been introduced to sundry debt processes to reduce debtor balances.
Budget Risks	All	Non-Opinion	n/a	n/a	n/a	n/a	n/a	COMPLETE – Unplanned A budget risk register was produced and assessed against the Medium Term Financial Strategy (MTFS). Identification of key risks are now contained within the MTFS as a result.
Oracle Decommissioning	All	Reasonable	n/a	n/a	n/a	n/a	n/a	COMPLETE – Unplanned Memo Involvement regarding decommissioning of old main accounting system, specifically in relation to payments where no significant issues were identified.
Accounts Payable	Serco / Resources	Reasonable	0	3	10	3	16	COMPLETE – C/Fwd Review The review covered the process in place to manage PO-exempt invoices, Invoices on hold, Access rights and segregation of duties.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Continued							
Impact of the Cash Office Closure	Serco / Resources	Reasonable	n/a	n/a	n/a	n/a	n/a	COMPLETE - Unplanned Various areas were reviewed with regards to proposed processes to be introduced resulting from the closure of the cash. Feedback and advice was provided prior to the closure which included petty cash, cheque handling, invoice barcoding and cash handling.
Budgetary Control	All	Removed from the plan – Deferred to 2018/19 in accordance with Internal Audit assessment criteria.						
Payroll	Resources / Serco	Removed from the plan due to reduced audit days.						
HR IT System	Serco / Resources / Governance	Removed from the plan as HR IT system modules were not implemented during the year.						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.							
Annual Governance Statement Review	All	Non-Opinion	COMPLETE					Presented as draft to Audit Committee on 26 June 2017 and final agreed by Audit Committee on 25 September 2017
Senior Management Control Risk Self-Assessment	All	Reasonable	COMPLETE					Internal Audit, in 2017/18 issued each Directorate with an Internal Control and Governance Self-Assessment in order to come to an opinion on the governance arrangements and internal control environment within their service. Testing was undertaken to ensure the robustness of the data supplied. While no adverse comments were received in relation to the controls in place, a number of areas have been identified as requiring attention and these have been reflected in the Action Plan within the AGS. The draft AGS Action Plan was discussed at CMT in April 2018; finalised in May 2018 and included elsewhere on the agenda in the Statement of Accounts.
Code of Corporate Governance	All	Non-Opinion	COMPLETE					Consultancy advice on the compilation of a new local Code of Corporate Governance and setting up a governance monitoring framework.
Annual Audit Opinion / Progress Report	All	Non-Opinion	COMPLETE					Annual Opinion presented to Audit Committee on 26 June 2017 and Progress Report presented on 20 November 2017.
Internal Audit Annual Survey	All	Non-Opinion	COMPLETE					An annual survey regarding services delivered by the Internal Audit Team during 2018 and any emerging strategic requirements. See Appendix C for detailed information.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Continued							
Planning Approach and Emerging Themes	All	Non-Opinion	COMPLETE – Unplanned					An additional report to Audit Committee on 12 February 2018 outlining a new audit planning approach and assessment tool to be utilised when preparing the 2018/19 Annual Plan
Annual Audit Plan & Strategy	All	Non-Opinion	COMPLETE					Establishment of the future plans for 2018 / 2019. Presented to Audit Committee on 26 March 2018, along with updated Code of Ethics and Audit Charter.
Internal Audit Effectiveness	All	Non-Opinion	COMPLETE					A review of the internal audit service against the new Public Sector Internal Audit Standards has been undertaken by way of a self-assessment and supporting information to demonstrate how the standards are achieved. This has been utilised by an external assessor to evaluate compliance and help to keep costs of the review reasonable. The external review has finished and the formal report is awaited.
Audit Committee Effectiveness	All	Reasonable	COMPLETE					A best practice review of the Audit Committee was undertaken against a good practice model, which found the committee to be compliant. Reported and approved by Audit Committee on 26 March 2018
Annual Investigation Report	All	Non-Opinion	COMPLETE					Annual Audit Opinion presented to Audit Committee on 26 June 2017.
Information Governance	All	Non-Opinion	ONGOING					Liaison and strategic overview as part of the Information Governance Group. Key focus areas to date have been data storage, retention of documents and the implications of the Data Protection Act 2018.
Risk Management	All	No-Opinion	ONGOING					Involvement in risk working group/board and any emerging issues

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANTI FRAUD CULTURE	The Councils approach to assessing the controls and mitigating the risk of fraud.							
National Fraud Initiative	All	Reasonable	COMPLETE					<p>A review of data matches from the NFI exercise to include liaison with other authorities and external bodies. Examples of data sets include: Payroll, Blue Badges, Concessionary Travel, Right to Work, Personal Budgets, VAT, Housing etc.</p> <p>The majority of data matches have identified data quality issues rather than instances of fraud. This was particularly notable with regards to Concessionary Travel and the Housing Waiting List. Work is ongoing in improving data quality and an NFI Strategy has been developed to assist in this process in readiness of the next data capture due in October 2018.</p> <p>Where matches revealed irregular activity, mainly due to matching Housing benefit claims to student loans, approximately £9,000 has been identified for recovery. For further details please refer to the Annual Investigations report.</p>
Serious and Organised Crime	All		<p>The Serious and Organised Crime (SOC) report was issued in December 2016 and makes various recommendations on the key areas subject to risk of organised crime. A collaborative approach is recommended and selected aspects of the report are to be reviewed:</p> <p>Deferred to 2018/19</p> <p>Facilitation of a self-assessment anti-fraud health check – High level review of the SOC check list covering a range of areas such as Strategy, Communication, Data Sharing, Risk Management.</p> <p>In Progress</p> <p>Review of Passenger Transport procurement and contract management arrangements – to include responsibility for DBS and safeguarding both at contract procurement and subsequent monitoring during the contract life.</p> <p>Deferred to 2018/19</p> <p>Taxi Licensing – Processes for the issuing of taxi licenses to include safeguarding and changes in licensing arrangements. To be undertaken in 2018/19 due to operational needs.</p> <p>In Progress</p> <p>Gifts and Hospitality – Officer, Partners and Member External Interests Register – Covering the processes in place to protect against ‘Insider Threat’ aspects of the SOC report.</p>					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANTI FRAUD CULTURE	Continued							
Fraud Register	All	Non-Opinion	COMPLETE					Facilitation of the development of a fraud risk register – A fraud register has been produced and presented to Corporate Management Team. This will form part of Fraud Awareness E-Learning during 2018/19 with a view to integration into operational risk registers.
Corporate Fraud Policies	All	Non-Opinion	COMPLETE					<p>New / updated policies have been established for Anti-Fraud and Corruption Strategy and an associated Policy; together with the Anti Bribery Policy; Money Laundering Policy; and the Council Tax Reduction Scheme Prosecution Policy. These were presented to Audit Committee on 26 March 2018.</p> <p>Unplanned</p> <p>Corporate Criminal Offence legislation came into force in September 2017. Review undertaken as a self-assessment against standards and actions to ensure compliance.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
DELIVERING COUNCIL SERVICES THROUGH NEW WAYS OF WORKING								
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks								
Strategic Partnerships	Growth and Regeneration	Reasonable	0	1	2	1	4	COMPLETE A review of Skanska partnership management arrangements.
Strategic Partnerships	Growth and Regeneration							IN PROGRESS A review of NPS partnership governance arrangements.
Programme / Project Management	People and Communities	Reasonable	0	2	0	0	2	COMPLETE A review of project governance arrangements for Nene Park Academy Project to include compliance with corporate processes. Project management was found to be generally good with areas for enhancement around reporting to the project Board.
Contracts	Growth and Regeneration	Limited	0	9	8	1	18	COMPLETE Materials Recycling Facility – A review of contract arrangements to include data collection, performance, income sharing. A joint exercise being undertaken with other Cambridgeshire authorities which is being co-ordinated by Peterborough. See Appendix B for further details.
Commercial Activities	Growth and Regeneration							IN PROGRESS. A review of governance arrangements for the Peterborough Investment Partnership.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS								
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks								
Registrars	Resources	Substantial	n/a	n/a	n/a	n/a	n/a	COMPLETE. A review of certificate stocks and finances as part of the HMG Security Policy Framework showed that effective controls and processes are in place.
Leighton Primary School	People and Communities	Reasonable	0	1	3	0	4	COMPLETE Internal audit reviewed arrangements in place for key controls, building access, cleaning procurement, usage and stock control.
City College	People and Communities	Reasonable	0	0	1	2	3	COMPLETE The review was to provide assurance on key themes within the organisation to include Corporate Governance, Financial Governance, Value for money through procurement and commissioning works and Asset Management.
Winyates Follow Up	People and Communities	No	0	11	8	4	23	COMPLETE Report responses received to an in depth follow-up of a previous audit. Action points have already been followed up and are in progress.
Health and Safety								IN PROGRESS – Unplanned A review of Health and Safety internal governance arrangements.
Information Governance – Freedom of Information	Governance							IN PROGRESS A review of our compliance with ICO requirements focussing on information governance.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS - Continued								
Carbon Reduction Commitment - Norfolk Property Services - Transport and Environment	Growth and Regeneration	Reasonable Reasonable	0 0	0 0	1 0	3 5	4 5	COMPLETE As part of the verification work, process improvements were identified within energy management (NPS) and the capture and analysis of energy data (Transport and Environment Team).
Energy Management System	Growth and Regeneration	Non-Opinion	COMPLETE Consultancy advice regarding SystemsLink and associated business case. An operational decision was made not to pursue the new system.					
PCI DSS Compliance	Resources / Serco	Non-Opinion	0	0	0	4	4	COMPLETE – Unplanned A review of PCC's compliance with the self-assessment aspect of the standard. Information for management.
Financial Rules	Resources							IN PROGRESS Initial work has been undertaken along with feedback/advice. Audit activities will continue as the organisation progresses through the review of the policy.
Mayor's Charity	Governance	Annual Audit	COMPLETE - Unplanned Annual audit of the Mayor's Charity Fundraising Accounts					
Highways Asset Management System	Resources	Removed from plan – no longer required. Review of data quality and completeness of the Asset Management Valuation Toolkit. The toolkit was suspended by central government						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS - Continued								
School Places	People and Communities	Removed from plan – no longer required.						

GRANT	Department	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2016 / 2017	Growth and Regeneration	Certified	COMPLETE A grant to support bus services, including community transport services.
Local Transport Funding Grant 2016 / 2017	Growth and Regeneration	Certified	COMPLETE This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks
Local Sustainable Transport Grant 2016 / 2017	Growth and Regeneration	Certified	COMPLETE A scheme to help local authorities to cut carbon emissions and create local growth
Disabled Facilities Grant 2016 / 2017	People and Communities	Certified	COMPLETE Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Connecting Families	People and Communities	Certified	COMPLETE Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to all four of the claim submissions in 2017/18, and a review of Outcomes Plan and procedures.
NCLT Grant 2017 – Phoenix School	People and Communities	Certified	COMPLETE - Unplanned – Chargeable Works The National College for Leading and Teaching Grant 2017 – Work undertaken includes certification of bursaries, school to school support and core grant funding.
NCLT Grant 2017 – Hampton Hargate School	People and Communities	Certified	COMPLETE - The National College for Leading and Teaching Grant 2017 – Work undertaken includes certification of bursaries, school to school support and core grant funding.
Carbon Reduction Commitment	Growth and Regeneration	Annual Certification	COMPLETE Annual data validity audit and a review of changes to methodology with regards to a new automated system for data collection. Memos issued in relation to processes are detailed within Strategic and Operational Risks.

GRANTS AND OTHER CERTIFICATION	Continued		
Junction 20	Growth and Regeneration	Audit Verification	COMPLETE - Unplanned Verification of grant funds awarded through the Growth Deal Programme and appropriateness of funding application prior to third party certification.
Bourges Boulevard Phase 1	Growth and Regeneration	Audit Verification	COMPLETE - Unplanned Verification of grant funds awarded through the Growth Deal Programme and appropriateness of funding application prior to third party certification.
GRANT	Department	ASSURANCE LEVEL	COMMENTARY
Direct Debit Competition	Resources / Serco	Audit Verification	COMPLETE – Unplanned Adjudication and verification of the competition draw process.
Rogue Landlords Grant.	People and Communities	n/a	No longer Required. New funding to help councils tackle rogue landlords who let out substandard homes.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	1 review has been completed during the year.
Vivacity	9 reviews are completed or in progress for this external client.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION								
Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.								
CARRY FORWARD ACTIVITIES								
Highways Asset Management System	Resources	Reasonable	0	0	2	1	3	Complete A review of the Highways Network Asset Code prior to the CIPFA/LASAAC Code Board withdrawing the scheme.
Information Governance	Governance	Reasonable	0	4	8	5	17	Complete A review using the Information Commissioner's Office online self-assessment
Blue Badges	Resources	Limited	0	0	4	1	5	Complete A review of the processes for issuing and cancelling permits. See Appendix B
Cyber Security	Resources / Serco							In progress Findings from an external review are being evaluated by Serco ICT and PCC prior to Internal Audit determining what further action should be undertaken.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION								
Continued								
FOLLOW UP PROVISION								
Local Offer	People and Communities	N/A	n/a	n/a	n/a	n/a	n/a	Complete Management action plan has been implemented and is regularly monitored
Carbon Reduction Commitment Follow-up	Growth and Regeneration	N/A	n/a	n/a	n/a	n/a	n/a	Complete
Information Governance – Follow up	Governance		In Progress Action plan progress review for the 17 recommendations accepted within the previous audit report.					
Schools Statutory Testing	People and Communities / NPS		In Progress					
Blue Badge Follow-up	Growth and Regeneration		Deferred to 2018/19					
Statutory Testing follow - up	Growth and Regeneration / NPS		Deferred at the request of Department due to internal review of operational processes					

APPENDIX B**AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1. Materials Recycling Facility Contract Review	Limited	16 July 2018
2. Blue Badges	Limited	16 July 2018
3. Winyates Primary School	No	16 July 2018

1...MRF CONTRACT REVIEW: Executive Summary

Introduction

This is an unplanned audit, which was performed at the request of the Cambridge and Peterborough Waste Partnership. It follows concerns raised by the contractor, Amey LG, regarding the long term financial viability of the materials recycling facility contract at Waterbeach, and their subsequent requests to alter the payment mechanism.

The audit was performed collaboratively, with the involvement of auditors from a number of the councils who are party to the contract. It was co-ordinated by Peterborough City Council.

Background

The Cambridge and Peterborough Waste Partnership (RECAP) work together to improve waste services, increase recycling rates and reduce waste. As part of this, some members of the partnership (Peterborough City, Cambridge City, South Cambridgeshire District, Fenland District, East Cambridgeshire District and Huntingdon District Councils) have contracted individually with Amey LG Ltd for the provision of transportation, sorting and onward sale of recyclable materials at a materials recycling facility (MRF). Councils are charged a gate-fee, and they receive 50% of the sales income that Amey achieve, both based on the weights of the various types of waste delivered.

Each council entered into the contract at different dates between 2014 and 2016, and the contract period ends in August 2019, with an option to extend for five years. Cambridgeshire County Council pay recycling credits to the District and City councils (all except Peterborough City), again based on the weight of waste delivered.

Objectives and Scope

The purpose of the audit was to review the operation of the contract under the Section 16 - Open Book Accounting terms. The overall aim was to ensure that Amey are accurately reporting material flows into and out of the facility, and using this information to accurately calculate the income share and charges due to the councils under the terms of the contract. In particular we sought to determine the following:

Input sampling process

- Whether sampling is representative of the materials delivered; proportions of different types of waste are calculated accurately; and source documentation matches the information reported on the monthly RECAP reports.

Output sales

- Whether average sales prices are being calculated accurately and with reference to actual sales prices; sales prices achieved are in line with

industry averages; income share is being calculated accurately for all recyclable materials; sorted materials are going to the organisations stated on the monthly report.

Performance Indicators

- Whether the target is being met for the Recycling Performance indicator.

The scope covered recycling data provided by Amey covering the period April 2016 to June 2017 for all RECAP members. This data showed that a total of 96,313 tonnes of waste was processed on behalf of RECAP for the period reviewed, at a net cost of just over £1 million. The review did not cover contract management processes or any environmental aspects.

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

Conclusion and Opinion

Our review of the MRF contract was financially focused, concentrating on the data and source documentation on which Amey base their charges. A significant number of issues were found and detailed recommendations have been made. We are aware that a consultant was engaged to investigate other operational issues and facilitate discussions between RECAP members and Amey; the aim being to review options and find a way forward that provides value for money for RECAP members and a financially viable solution for Amey. An overview of our findings has already fed into this.

Whatever the outcome, it is crucial that sufficient contract management resource is available going forward to ensure that appropriate checks and balances are in place. Not only to confirm that charging is accurate, but to ensure that councils meet their own environmental aims and to satisfy their obligations to report against national indicators on waste.

The audit opinion is **Limited Assurance**.

2...BLUE BADGES: Executive Summary

Introduction

This Audit forms part of the 2017/18 plan and was included following a number of issues being found whilst carrying out routine National Fraud Initiative work.

Objectives and Scope

The purpose of the audit was to ensure that:

- Blue badge applications are assessed & approved and badges are only issued to eligible people.
- The appropriate administration fee is paid for each badge.
- BBIS is maintained and updated on a regular basis and Info@work holds all relevant and current documents.
- Arrangements for changes of circumstances / return of badges are in place

The scope covered the review of the blue badge application process and establish whether robust procedures & processes are in place and being followed.

Main Findings

At the time of the audit we found there were no formal, written procedures setting out how applications should be assessed and processed, although a flowchart 'Procedure for Approving Blue Badge Applications' was in place.

Some applications were found to have been processed and badges issued without supporting documentation or appropriate assessment.

A lack of evidence to support processes around management overview of applications: and segregation of duties was identified along with details not being maintained of who has collected badges or whether old ones have been returned prior to the issue of any renewals.

We were also unable to establish what action is taken to actively recover badges when the authority becomes aware that a badge holder has passed away.

Conclusion and Opinion

Blue badge administration has been moved around the Authority over the last couple of years, with a transfer to parking services in 2015 and

regulatory services last year. With each move there has been a lead in time for management to gain knowledge and understanding whilst overseeing a range of other services, during which time reliance has been placed on the capability and experience of the existing staff.

Blue badges as part of Regulatory Services sits within City Services and Communications Division. The service covers such diverse work areas as taxi enforcement, licensing, business regulation and trading standards. Management explained that when considering all the services provided by the section they believe there are areas of significantly higher risk than blue badges, where the key risks are around health and safety and personal security.

This has been reflected in the priority given to the observations, mainly in recognition of the timescale of delivery rather than the level of control weakness.

Audit consider improved management information will benefit the Blue Badge service by showing the Organisation how it is performing, where pressures lie and how they are distributed, enabling management to take a closer look at individual processes and potentially make efficiencies.

Audit see this review as an opportunity to clarify processes, produce documented procedures for future guidance and generally improve controls within the blue badge system.

6 The audit opinion is **Limited Assurance**.

3...WINYATES SCHOOL: Executive Summary

Introduction

An unplanned audit was conducted in July 2014 at the request of Winyates Primary School over a number of concerns, including significant delays in paying its invoices, and failure to produce accounts for its private funds (also known as the School Fund). Invoice payment delays had resulted in warning letters threatening discontinuation of services, and in one case legal action. The audit took place with the Finance Manager absent due to suspension, and the Executive Headteacher absent through illness. The audit found significant issues, in particular relating to the school's procurement practices. The school's scheme of financial delegation was unclear, and did not reflect the management structure in place. Issues were discussed with the Executive Headteacher and School Leader, and the school was issued with a draft audit report in November 2014. This resulted in a no assurance rating, with 28 recommendations made to improve processes and controls. Management provided an action plan in July 2015 to address the issues raised, and this was incorporated in the final version of the report.

Objectives and Scope

A new audit was conducted during 2016/17. The purpose of the audit was to:

- Ascertain whether actions agreed in the final audit report had been implemented
- Establish whether satisfactory controls exist within, and the extent of compliance with, the school's finance processes
- Assess compliance with PCC's Scheme for Financial Management for Schools, including the Supplementary Financial Regulations.

The scope covered ordering and payments, with particular focus on purchasing methods and timeliness of payment; examination of the school's bank accounts; and examination of the School Fund.

Main Findings

The main findings from the audit were:

- The school's management structure is still not adequately reflected in the Terms of Reference of the Finance Premises & Personnel Committee (FPPC), and any financial approvals given by holders of the School Leader post appear to be invalid as a result.
- The Financial Administration Document does not provide a satisfactory description of the school's expected financial procedures.
- The School Fund bank accounts (i.e. voluntary funds) have been closed down, and balances transferred to the school's main account. However no balance sheets have been produced to cover transactions from Sept 2013 onwards.
- Only just over half of the value of cheques issued from the e1 finance system were covered by purchase orders (POs). This meant that financial commitments were often not recorded against the budget at the time that goods or services were ordered.
- There appears to have been significant improvement in the timeliness of invoice payment since the last audit.

- Governors' minutes showed no evidence of discussion or approval of two purchases in excess of £10k, although this was required under the school's scheme of financial delegation. It is therefore unclear whether governors were aware of, or discussed and approved, these purchases. It is understood that there have been concerns over the quality of minutes prior to the appointment of the current clerk, and it may be the case that these purchases were discussed and approved, but had not been minuted.
- Six new Government Procurement Cards (GPCs) had been ordered, but had not arrived by the time of the audit visit. The Executive Headteacher's GPC had continued to be used by multiple officers. Under the council's Scheme for Financial Management of Schools, the Governing Body is responsible for approving cardholders, any expenditure limits, and what cards may be used for. However this did not appear to have taken place.

Conclusion and Opinion

To some extent, given the number of recommendations made previously, it is understandable that not all recommendations and agreed actions from the last audit had been fully implemented. A School Business Manager (SBM) was appointed from December 2014 to replace the vacant Finance Manager post. The SBM came from a banking background and understands the needs for effective internal controls, but has not previously worked in a school. It will have taken time for them to get to grips with school processes, and any inherited backlog of work. Nonetheless, the school's overall progress in implementing recommendations from the last audit has been disappointing. Of 14 recommendations rated high priority in the last audit report, 9 had either not been implemented or little progress had been made since the issues were first discussed with senior management. Not all recommendations can be implemented by the SBM without the necessary decision-making or guidance from senior management and governors. Review of governors' meeting minutes, found very little evidence of discussion of the issues requiring their attention.

During the audit, instances were found where purchase approval decisions required from the FPPC, could not be found in governors' meeting minutes. It is unclear whether this issue relates to a failure in minuting, or compliance within school. It is important that the full Governing Body (FGB) clarifies their scheme of financial delegation, taking into account the current managerial structure at the school, and that this is documented. The FGB may like to consider appointing a Responsible Officer to undertake periodic compliance checks to ensure that all decisions requiring governors' approval have been referred to governors at the correct time, with sufficient appropriate evidence to allow those decisions to be made.

The audit opinion remains **No Assurance**, in relation to the areas examined.

Since this review concluded further follow up work has been undertaken with regards to the schools action plan to audit recommendations which is in the process of being reviewed / evaluated.

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Internal Audit Survey of Managers and Members

Introduction

During March 2018 Internal Audit undertook an annual survey as required within the Public Sector Internal Audit Standards (PSIAS) and to also evaluate the organisations view of our performance during the year and strategic needs. Individuals surveyed included:

- Directors and Heads of Service;
- Councillors including the Leader of the Council, Members of the Audit Committee and Cabinet Member for Resources
- Other selected managers with whom we have frequent contact;
- Staff from partnership and external organisations such as Serco, Vivacity and Schools

There were 17 respondents in total, amounting to 31% of those contacted.

Overall the response was very positive, with the majority of our services regarded as Critical or Important and our performance rated as Excellent or Good by many.

Responses continue to indicate that Internal Audit are seen in a traditional role, with compliance auditing, fraud investigations and finance being seen as important aspects of our work. However 94% of respondents are recognising the need for internal audit to be evaluating if risks are being identified and managed which supports the risk management process within the organisation. This indicator has had a % shift in weighting to Critical from important since the previous survey. This said we need to further evaluate how we can raise the profile of the work that internal audit undertakes as there is still some indication that this is not understood. This will be explored further through Departmental Team meetings.

Some new areas were explored within the survey this year with regards to the view of internal audit as a business partner, ethics and values promoted within the organisation and subsequent breakdown of controls in areas reviewed. Similarly positive results were received. Please see the full results of the survey detailed below.

Conclusion

Whilst we clearly carry out work that is valued, we need to continue to do more to raise awareness and understanding across the council. Professional audit standards and statute dictate that our role has moved away from purely compliance and finance related work to one of risk based assurance covering the whole governance, risk and control framework of an organisation. It is therefore encouraging to see that there has been greater recognition of this this year which is something to build on with the organisation moving forwards. Whilst the survey indicates that high importance and value is placed on our traditional areas of work, it is considered to be a success of the service that internal audit is considered as a business partner contributing to new initiatives as well as providing insight and foresight over and above the core work programme.

Peterborough City Council Internal Audit Survey March 2018

1. Internal audit can provide a range of different types of audit in order to have a positive impact on Governance, Risk and Control. Each type has a different purpose, as described below. Please rate each type in terms of how important you feel they are to the Council.	Critical	Important	Optional	Not Required	Not Known
Compliance reviews to ensure policies / procedures / laws are followed	11 (65%)	6 (35%)	0	0	0
Risk based audits to determine if risks are being identified and managed.	10 (59%)	6 (35%)	1 (6%)	0	0
Consultancy work to advise on controls within new or changing operations	1 (6%)	11 (65%)	4 (23%)	0	1 (6%)
Value for money reviews to evaluate economy and efficiency	3 (18%)	10 (59%)	4 (23%)	0	0
System based audits to evaluate the effectiveness of controls	5 (29%)	10 (59%)	2 (12%)	0	0
Follow-ups to monitor the implementation of recommendations	5 (29%)	8 (47%)	4 (24%)	0	0
Investigation into allegations of fraud, corruption and impropriety	14 (82%)	3 (18%)	0	0	0
Grant certification to ensure monies are spent according to grant requirements	7 (41%)	8 (47%)	2 (12%)	0	0
Proactive detection of fraud to enable its investigation	8 (47%)	8 (47%)	1 (6%)	0	0

2. The scope of Internal Audit's work covers all council activities. Some key activities that we cover are listed below. How important do you feel our work is in each of these areas?	Critical	Important	Optional	Not Required	Not Known
Financial processes – eg payroll, income and payments systems	10 (59%)	6 (35%)	0	0	1 (6%)
Financial processes – eg payroll, income and payments systems	10 (59%)	6 (35%)	1 (6%)	0	0
Schools – financial processes, contracts and procurement, IT and data security	3 (18%)	10 (59%)	2 (12%)	0	2 (12%)
Projects and Programmes – management of budgets and deliverables	6 (35%)	7 (41%)	1 (6%)	1 (6%)	2 (12%)
Contracts and Procurement – tendering and managing contracts, buying goods and services	6 (35%)	9 (53%)	0	1 (6%)	1 (6%)
Shared Services, Partnerships and Joint Ventures – governance and financial arrangements	7 (44%)	7 (44%)	1 (6%)	0	1 (6%)
Risk Management – policy and process of identifying and assessing risks	9 (53%)	7 (41%)	1 (6%)	0	0
Information Governance – management and security of data	7 (41%)	8 (47%)	1 (6%)	0	1 (6%)
Other Services and Governance– any service that the council provides, or activity it undertakes in the provision of services.	2 (13%)	10 (67%)	3 (20%)	0	0
Contracted out activities – our management of major contracts such as Serco, Skanska etc	6 (38%)	7 (44%)	2 (12%)	0	1 (6%)

3. As customers of Internal Audit, how do you rate our performance in the following areas?	Excellent	Good	Adequate	Poor	Not Known
The extent to which we raise awareness of the work of Internal Audit	3 (18%)	7 (41%)	3 (18%)	1 (6%)	3 (18%)
How well we engage with your management teams	4 (23%)	7 (41%)	2 (13%)	0	4 (23%)
The quality of the relationship between auditors and your staff	6 (35%)	8 (47%)	1 (6%)	0	2 (12%)
How responsive we are to your requests	6 (35%)	8 (47%)	1 (6%)	0	2 (12%)
The timeliness of our work	4 (23%)	9 (53%)	2 (12%)	0	2 (12%)
Keeping you up to date with progress	4 (25%)	7 (44%)	3 (19%)	0	2 (12%)
The alignment of our work to business need	4 (23%)	9 (53%)	2 (12%)	0	2 (12%)
The alignment of our work to identified risks	4 (25%)	8 (50%)	2 (12%)	0	2 (13%)
The opportunity you have to contribute to the annual planning process	8 (47%)	4 (23%)	2 (12%)	0	3 (18%)
The opportunity you have to contribute during an audit review	6 (35%)	6 (35%)	2 (12%)	0	3 (18%)

4. Based on your contact with audit team members over the last year, how do you rate them on the following attributes?	Excellent	Good	Adequate	Poor	Not Known
Unbiased, objective attitude	8 (47%)	6 (35%)	0	0	3 (18%)
Professional integrity	10 (59%)	4 (23%)	0	0	3 (18%)
Knowledge of your area of work	5 (29%)	7 (41%)	2 (12%)	0	3 (18%)
Understanding of risks in your area	4 (23%)	9 (53%)	1 (6%)	0	3 (18%)
Constructive and stimulates challenge	3 (18%)	10 (59%)	1 (6%)	0	3 (18%)
Forward thinking	5 (29%)	8 (47%)	0	0	4 (23%)
Confidentiality	8 (47%)	6 (35%)	0	0	3 (18%)

5. The final product of our work is usually a formal report, but it can also be a less formal written response such as an email or memo or verbal feedback. How often do we meet the following standards?	Always	Frequently	Sometimes	Rarely	Not Applic
Reports / responses are clear and easily understood	11 (65%)	2 (12%)	0	0	4 (23%)
Reports / responses are factually accurate	10 (59%)	3 (18%)	0	0	4 (23%)
The format of the report / Response is appropriate	10 (59%)	3 (18%)	0	0	4 (23%)
The length of the report / response is appropriate]	9 (53%)	4 (23%)	0	0	4 (23%)
Our control issues/findings are appropriate and supported by adequate evidence	8 (47%)	5 (29%)	0	0	4 (23%)
Recommendations are relevant, practical, commercial and proportionate	7 (41%)	6 (35%)	0	0	4 (23%)
Our recommendation gradings help you to prioritise your action plan, improve business processes and meet strategic objectives	8 (47%)	4 (23%)	0	0	5 (29%)
Our audit opinions are helpful to you	10 (59%)	4 (23%)	0	0	3 (18%)
Your comments are accurately reflected in the report	8 (47%)	4 (23%)	0	0	5 (29%)
Reports / responses are issued in a timely manner	10 (59%)	4 (23%)	0	0	3 (18%)
Reports / responses are issued to the right people	11 (65%)	3 (18%)	0	0	3 (18%)

6. How do you rate the value of our work to your team and Council as a whole?	Agree	Partially Agree	Do not Agree	Not Applicable
Senior Managers understand and fully support the work of internal audit	13 (81%)	3 (19%)	0	0
Internal audit has a positive impact on the governance, risk management, and the system of control of the organisation	14 (88%)	2 (12%)	0	0
There have not been any significant control breakdowns or surprises in areas that have been positively assured by internal audit	12 (75%)	2 (12%)	0	2 (13%)
Internal Audit activity promotes appropriate ethics and values within the organisation	15 (94%)	0	0	1 (6%)
Internal Audit provides insight and foresight over and above the core work programme	7 (44%)	8 (50%)	0	1 (6%)
Internal Audit is viewed as a business partner, with advice being sought along with participation in new initiatives	13 (81%)	3 (19%)	0	0

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AUDIT COMMITTEE	AGENDA ITEM No. 6
16 JULY 2018	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

FRAUD AND INVESTIGATIONS ANNUAL REPORT 2017 / 2018

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. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues during 2017 / 2018. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following 2.2.1.13

“To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process”.

2.2 The purpose of this report is to present the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.

3. TIMESCALE

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

4.1 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. In addressing this expectation, the Council has shown its commitment with a dedicated Investigations team which is tasked with reviewing and investigating allegations of fraud and impropriety, breaches in codes of conduct and high level complaints.

4.2 Audit Committee in March 2018 received an update on the strategic approach adopted by the Council in relation to tackling fraud, together with a review of a number of the policies. Best practice checklists and a report from the accountancy professional body, CIPFA, was also provided in relation to fraud.

4.3 The attached report provides an overview of the work undertaken during the year demonstrates the success of the team and provides an insight into how this service will continue to operate.

5. CONSULTATION

5.1 This report has been issued to the Director of Governance and Acting Director of Corporate Resources for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

7.1 To enable the Audit Committee to continue to monitor the Council's approach to the areas dealt with by the team

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The option is not to present a report into fraud and the activities undertaken. This could result in a lack of awareness.

9. IMPLICATIONS

Financial Implications

The Council will become more fraud aware and will continue to consider the risks and consequences. Fraud is unacceptable and requires a well thought through approach. The presumption must be about preventing fraud by designing systems to stop it happening in the first place but where it occurs, there should be an equal presumption that its perpetrators will face tough action. This can only serve to increase the standards of conduct across the Council.

10. BACKGROUND DOCUMENTS

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

10.1 None

11. APPENDICES

11.1 Appendix A: Annual Fraud report 2017 / 2018

Peterborough City Council

Fraud & Investigations Annual Report

2017 / 2018

Introduction

The council is committed to providing an effective counter fraud service which is supported by efficient policies and sanctions for those that offend. Combating fraud is the responsibility of everyone in the council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.

Failure to investigate fraud will see money leaving the council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council. It is therefore important to demonstrate that resources are focussed on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members and the general public of the quality and integrity of investigations.

On 1 December 2014, 2 officers from the Compliance Team within the Governance Department transferred to Internal Audit. This brought together knowledge to investigate fraudulent activity and was a response to the separate transfer of officers to the Department for Works and Pensions (DWP) as part of its establishment of a Single Fraud Investigation Service (SFIS) to cover benefit fraud. The new team's remit also includes the investigations of disciplinary matters, blue badge misuse and Stage 2 Corporate Complaints against the Council.

Peterborough City Council has policies and procedures in place which provide a framework to counter fraud work, which include:

- Employee Code of Conduct;
- Disciplinary Policy;
- Member's Code of Conduct;
- Contract Standing Orders and Financial Regulations;
- Regulation of Investigatory Powers Act and procedures;
- Whistleblowing Policy;
- Anti-Bribery Policy; and
- Various Sanctions and Prosecution Policies.

This report documents the Council's response to fraud during 2017 / 2018, and is presented to the Audit Committee in order to discharge its responsibility, as reflected in its terms of reference '*Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process*'.

The Internal Audit, Insurance and Investigations team is responsible for leading on the Council's response to the risk of fraud. The work of the team has focused on four main areas during the year, namely:

- National Fraud Initiative;
- Council Tax;
- Referrals and investigations through the Council's Fraud and Corruption Strategy; and
- Proactive work

The report sets out details of:

- The national position in relation to tackling fraud;
- Steps taken by Peterborough to reduce, identify and resolve fraud;
- The successes to date; and
- Proactive actions proposed to continue the fight against fraud.

National Studies

At Audit Committee 26 March 2018, Members were provided with details of the national picture in relation to fraud across local government. (Audit Committee Agenda Item 11: Appendix G).

The annual survey is issued by the CIPFA Counter Fraud Centre which is used to collate fraud data within local government. The main types of fraud identified across the sector by the estimated value of investigations are listed in Table 1.

TABLE 1: MAIN TYPES OF FRAUD AREAS		
Council Tax	Single Person Discount	£ 19.5m
	Council Tax Reduction Support	£ 4.8m
	Other types of exemption	
Housing and tenancy Fraud	Right to buy	£ 111.6m
	Illegal sub-letting for profit	£ 78.5m
	Providing false information to gain a tenancy *	£ 73.3m *
	Wrongful tenancy assignment and succession *	
	Failing to use the property as the principal home *	
Disabled Parking (Blue Badge)	Misuse	£ 4.3m
Adult Social Care	Personal budgets	£ 2.8m
	Direct payments not used to pay for the care of vulnerable adult **	£ 2.8m **
	Care workers claiming monies for time not worked **	

While not an exhaustive list, a number of other areas were identified:

- Business rates (£7.0m);
- Insurance fraud (£5.1m);
- Procurement (£6.2m);
- Welfare assistance (£0.3m) and no recourse to public funds (£6.9m);
- Payroll (£1.0m), expenses (£0.1m), recruitment (£0.2m) and pensions (£0.8m);
- Economic and voluntary sector (grant fraud); and
- Manipulation of data (financial or non-financial) and mandate fraud.

National Fraud Initiative

Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled. Fraud does not recognise organisational or geographic boundaries. Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and therefore can limit gaps available to fraudsters to manipulate and help identify those that have. It also helps bodies to identify process improvements that can reduce future errors and the costs of correcting these errors.

The National Fraud Initiative (NFI) is an exercise which brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998 and the output to date has been used by the Audit Commission to help them

assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice.

The Council is required by law to participate in the NFI by providing a range of datasets to the Audit Commission¹ for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every 2 years, the results of these matches is fed into a national report at the end of each cycle.

The Council submitted data in October 2016 and matches for review were received in early 2017. Distinct datasets are prescribed, for PCC these are set in Table 2:

TABLE 2: DATASETS SUBMITTED AS PART OF THE NATIONAL FRAUD INITIATIVE	
Payroll	Travel Permits
Insurance Claims (data provided by Zurich Municipal)	Blue Badges
Housing Benefits (data provided by DWP)	Taxi Licences
Creditors	Market Licences
Personal Budgets	Personal Alcohol Licences
Housing Waiting List (new for 2016)	

Similarly, Electoral Registration and Council Tax data is submitted annually for data matching of Council Tax Single Person Discount and electoral registration data following publication of the Council's new electoral register each December.

Each dataset has specific fields which should be extracted from the various systems. The majority of these should be standard references which the Council is maintaining. Each data matching exercise usually has a number of additional fields requested so as to increase the potential quality of any subsequent match. The detection of errors can help to identify areas for improvement (e.g. data quality) and will increase the efficiency of the organisation (e.g. minimising financial risk). Any identified are reported back to departments to improve the data quality going forward.

Where personal data was included in the submission, and in order to be compliant with the Data Protection Act, notices were sent to individuals to inform them that their personal data was being submitted as part of the NFI exercise e.g. information within payslips or on the original data capture forms. Furthermore, a full download of all creditor records / payments made during the two year period was provided. Primarily matches were to ascertain any duplicate payments or absence of VAT.

The results highlighted various matches for each dataset. Throughout the year, additional matches are provided as data records are updated elsewhere. Each dataset is colour coding highlighting the quality of the match i.e. more fields the same such as name, address etc. **RED** being the best matches with the expectation that all these "recommended matches" are investigated. Other matches are sample tested.

The results have now been investigated. Table 3 below sets out details of all the **RED** matches which were received as part of the exercise:

¹ Following abolition, this has been organised by the Cabinet Office

TABLE 3: NUMBER OF RED MATCHES RECEIVED IN RELATION TO THE VARIOUS DATASETS												
	Student Loans	Payroll	Waiting List	Home Office	Housing Benefit	Housing Tenants	Market Traders Licences	Taxi Drivers Licences	DWP Deceased	Personal Alcohol Licences	Blue Badge	Creditors
Housing Benefits	11			11	2		1	2	35	1		
Payroll		1										23
Blue Badges									85		8	
Concessionary Travel Passes									643			
Residential Care Homes									21			
Taxi Drivers				1								
Personal Budgets									4			
Housing Waiting List			52	6	449	54			96			
Council Tax				3	10				21			

Our investigations found that:

- Of the 11 matches identified in relation to Housing Benefits to Student Loans, 3 cases were identified as being fraudulent i.e. claiming benefits but whose student loans eligibility results in them ineligible for those benefits. Overpayments totalling **£8,955-26** were established and steps put in place to recover.
- In relation to the 643 concessionary Travel Passes, 617 were matched to deceased records. It was identified at an early stage that our records were not up to date. All passes were cancelled and a notional value of **£617-00** set aside for the error. Steps have been taken to speed up data input.
- Housing Waiting list records produced a large level of matches to other datasets. Similarly, it was identified that as this was a new dataset it had not been regularly checked and updated. All the errors identified related to data quality issues and were referred back to the data controller for corrective action.
- The download of creditor payments identified potential duplicate payments and VAT overpayment discrepancies. The duplicate payment had already been identified and collected while there were no issues with the VAT.

Overall, the levels of fraud identified from this exercise has been on the low side. It suggests that there are appropriate checks already in place to reduce the risk of fraud at source. Therefore, we could provide reasonable assurance that the data matches did not reveal a high level of fraudulent activity.

Council Tax

Single Person Discount (SPD) exemptions

In order to look at an appropriate response to the inherent risk of fraud / error in this area, various initiatives are undertaken. The Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. Council taxpayers are under a duty to report within 21 days if they think they should no longer qualify for a discount. Approximately 26,400 households within Peterborough currently receive the 25% discount.

While most residents are claiming the discount appropriately, there are a likely to be a minority who are attempting to defraud the system. All residents claiming the discount, as part of the annual billing process in March 2018, also received a separate form in relation to the SPD. Residents were requested to complete the form if their circumstance had changed.

While it is too early to confirm whether the exercise has been fruitful to date, or that the information was provided as a result of this drive, a total of approximately **£30,000** additional Council Tax has been subsequently billed.

Ongoing proactive searches will continue to verify data held to look to cancel identified errors or fraudulent claims.

Council Tax Support

As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. Benefit fraud will always be a risk faced by local authorities owing to the high volumes of payments and complexities of legislation. There has been a steady decline in the number of investigations over the last three years, due to a number of factors such as better intelligence to stop claims before they are even set up, and this has mirrored a reduction in the size of the team over the same time period.

The Council has a dedicated "fraud" hotline. Information is received, recorded and initial sifting takes place. Some information may be malicious and cases are closed while others may have substance and these are referred to the appropriate organisations to investigate.

TABLE 4: COUNCIL TAX INVESTIGATION TYPES		
Contrived Tenancy	Undeclared Income	Living Together
Non-Residency	Working and Claiming	Undeclared Non Dependency
Undeclared Capital		

In accordance with legislation, we are able to offer a financial penalty arising from the offence as an alternative to prosecution and in addition to the overpayment. This equates to 50% of the overpayment. If this is not accepted, the matter will be referred for prosecution. In some cases, it may be appropriate to offer a caution to the individual as an alternative to prosecution. Again, should this not be accepted, the matter will be referred for prosecution. During 2017 / 2018, **£16,047.64** was identified for recovery.

A prosecution is the most visible of all the sanctions available to the team and each prosecution will be publicised. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the council's fraud hotline and dedicated fraud email address. We continue to apply the appropriate evidential and public interest tests to matter before deciding to prosecute.

Corporate Investigations

Investigations have been delivered through the Compliance Team within the Governance Department. As referred to within the introduction, the resources were reduced within the team following the transfer of officers to the SFIS in December 2014 and two officers have been transferred to Internal Audit. Electoral integrity work has remained within the Governance department however the investigators remain involved in that work. Any potential matters arising from the electoral integrity work such as Council Tax discount are referred to the team.

The works of the team have covered the areas identified in the table below.

TABLE 5: AREAS COVERED		
Disciplinary (Gross Misconduct)	Council Tax Support	Corporate Complaints
Council Tax Discounts	Blue Badge misuse	Internal fraud

Corporate Complaints

Complaints received against the Council are initially investigated internally, and these cover Stage 2 Complaints.

Each complaint is followed up by a Head of Service and outcomes produced and issued. If there is still dissatisfaction then the complaint is referred through to the Chief Internal Auditor / Compliance Officers to undertake an independent review. This assessment will then determine, based on all the information available, if the process has been completed in full. If it has they will be informed of this and unless further mediation is undertaken, they can take the decision to refer through to the Local Government Ombudsman if necessary. However, if as part of the initial assessment gaps are identified, then a full review will be commissioned.

TABLE 6: STAGE 2 CORPORATE COMPLAINT REFERRALS			
	2015 / 2016	2016 / 2017	2017 / 2018
Referrals received	8 *	20	17
(* Complaint process was changed to make more robust)			

Disciplinary Cases

12 cases of alleged disciplinary breaches were investigated (2016 / 2017: 11 Cases). All cases are different in their nature, complexity and time needed for these to be completed. Results of these can include dismissals, final written warnings, verbal warnings and resignations. Following a disciplinary hearing, there may be a requirement for additional works and presentations at professional bodies.

Blue Badge Misuse

Work continues to look into Blue Badge abuse. 36 cases were reviewed in 2017 / 2018. 2 cases were sent for prosecution. Following successful conviction, appropriate publicity is issued internally and externally to raise the profile and to act as a deterrent.

Conclusions / Going Forward

No local authority is immune from fraud. Acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.

Our conclusion is that the Council has measures in place during 2017 / 2018 to enable the prevention and detection of inaccuracies and fraud.

During 2018 / 2019, works planned to acknowledge and understand fraud risks and to further develop and embed effective measures include:

- **National Fraud Initiative:** Coordination of the data matching exercise. We have asked to be included in a pilot exercise into business rates. This will include receipt and distribution of data matches and collation and reporting of investigations into matches. We will have produced a separate NFI Strategy to increase the understanding and promote responsibilities across the Council;
- **Fraud Awareness:** Promote the various policies in place and raise the awareness across the Council;
- **Undertake risk assessments** of specific areas potentially susceptible to fraud led by Internal Audit involving individual service managers. An emerging risk relates to the increased risk of fraud and error arising from the reduced funding available to the Council. This manifests itself in lower staffing levels, increased management spans of control, out of date procedures and a reduction in investigative capacity. These risks can be mitigated by more effective joint working (both within the Council and with other authorities), targeted support to sections most at risk and the development of corporate operational procedures to encourage effective financial management and control; and
- **Development of joint working** with DWP. There is an emerging focus for greater levels of joint working and sharing of intelligence to protect public monies.

Steve Crabtree
Chief Internal Auditor
June 2018

AUDIT COMMITTEE	AGENDA ITEM No. 7
16 JULY 2018	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

BUDGET MONITORING REPORT FINAL OUTTURN 2017/18

RECOMMENDATIONS	
FROM: Acting Director of Corporate Resources	Deadline date: 1 June 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the final outturn position for 2017/18 (subject to finalisation of the statutory statement of accounts) of a £6.9m underspend on the Council's revenue budget. 2. Note the reserves position outlined in section 6, which includes a contributions to the capacity building reserve of £6.9m, as a result of departmental underspends as highlighted in the revenue outturn. 3. Note the outturn spending of £80.164m in the Council's capital programme in 2017/18 outlined in section 7. 4. Note the performance against the prudential indicators outlined in Appendix B. 5. Note the performance on payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix C. 	

1. ORIGIN OF THE REPORT

- 1.1. This report is submitted to the Audit Committee as part of their annual financial reporting cycle.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The report provides the Audit Committee with the outturn position for both the revenue budget and capital programme for 2017/18, subject to any changes required in the finalisation of the Statement of Accounts.
- 2.2. The report also contains performance information on payment of creditors and collection performance for debtors, local taxation and benefit overpayments.
- 2.3. This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.16

“To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.”

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	n/a
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4. FINAL OUTTURN 2017/18

Corporate Overview

- 4.1. The Council, at its meeting on 7 March 2017 approved a balanced budget for 2017/18 that supported the delivery of key services. The approved budget included £20.8m of savings, £9.8m of demand-related pressures and investment, and further grant reductions of £2.8m.
- 4.2. The Budget also included the use of £7.2m from the Grant Equalisation (GE) reserve. This was used in line with the purpose the reserve was initially set up for in 2015/16, which was to defer the impact of reductions in government grant, protecting as far as possible the delivery of services to our residents, while allowing officers time to develop a sustainable budget.
- 4.3. There were a number of other non-repeatable savings included within the 2017/18 budget, such as the use of capital receipts, council tax surplus and the use of the GE reserve, as mentioned in point 4.2, these are outlined in the following table:

Non Repeatable	2017/18 £000
Capital Receipts	12,738
Council Tax Surplus	173
Use of Reserves	7,194
Total	20,105

- 4.4. During the year the Corporate Management Team (CMT) have received regular reports on the in-year budget position, including progress updates against savings approved as part of previous budget rounds. The Cabinet also discuss the financial position regularly, with formal positions reported to the Cabinet meetings held between November and March. Financial plans have also been considered by a cross-party budget working group.
- 4.5. Actions undertaken by the CMT and Cabinet have included:
 - Departmental management teams, together with CMT have reviewed the budget position monthly and have taken appropriate action, including plans to address budget issues. These have been acknowledged in Budgetary Control Reports;
 - Regular reports to CMT have included a summary of progress with savings proposals, additional pressures and risks;
 - Savings have been brought forward as part of a two stage budget process for 2018/19;
 - An Officer led Capital Review Group has been established within 2017/18, meeting on a fortnightly basis this group has the responsibility of reviewing the following and reporting updated information to CMT:
 - Review of the capital programme during the year, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the council requires to borrow to fund the capital programme has reduced

the costs of financing borrowing which has been reflected in the revenue outturn position;

- Monitoring Capital receipts;
 - Utilising all opportunities to capitalise expenditure relieving pressure on the general fund; and
 - Reviewing new capital project proposals for adequacy, value for money, requirement and ensuring the Council only invests in necessary projects.
- Thorough review of the reserves balances including a review of the future planned use of reserves.
 - An enhanced Risk Management Board has been established within the financial year, which will be led by the Director of Growth and Regeneration. This has been established with the purpose of challenging and supporting risk management across the council and partner organisations, and will report corporate and departmental risks into CMT.
- 4.6. The January 2018 Budget Control Report came to Cabinet on 26 March 2018, reporting a £3.5m underspend for the year. The Council can now report a departmental underspend of £6.9m, which will be added to the Capacity Building Reserve for future transformational use.
- 4.7. The final outturn position for 2017/18 is outlined in a summary table section 5 below, with additional detailed information in Appendix A.
- 4.8. In addition to this, there were a number of other items such as additional benefit received from Direct Revenue Funding which will be added to the capacity building reserve. There has also been a significant boost in the departmental reserves position as a result of a number of specific grants received in advance. Throughout the year the reserves have undergone a thorough review by officers in conjunction with the Section 151 officer. As a result of this a number of reserve commitments were released, freeing up capacity to support future council transformational change and supporting the creation of a balanced and sustainable budget for future years.
- 4.9. Officers have taken a proactive approach to addressing the financial challenge the council faces. The Council's budget for 2018/19 includes budget reductions of £26.4m and a planned use of £4.2m from the GE reserve. Included within the reductions are a number of items which are one off non-repeatable savings, such as capital receipts, MRP re-provision and Council tax surplus. The following table demonstrates the Council's transition to a sustainable budget with a reduction in non-repeatable savings currently planned over the three year period compared with the 2017/18 position.

Non Repeatable One Off Savings	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Receipts	12,738	2,922	4,139	-	-
MRP Re-Provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	-	-	-
Use of Reserves	7,194	4,231	-	-	-
Total	20,105	12,041	4,139	-	-

- 4.10. The budget gap in 2019/20 currently stands at £12m rising to £19m in 2020/21. CMT and Cabinet have started work on a strategy to tackle this gap and create a sustainable budget. In 2018/19 Cabinet and Council will be updated more frequently on the budget position with the introduction of the rolling budget process as agreed at Council on 7 March.

5. Revenue Outturn

5.1. The Council's overall revenue outturn shows a £6.9m underspend for 2017/18, after movements in reserves. The table below summarises the revenue outturn position by the Directorates during 2017/18.

Revenue outturn 2017/18

Directorate	Budget £000	Contributions from Reserve £000	Revised Budget £000	Actual £000	Contributions to Reserve £000	Revised Variance £000
Chief Executive	1,599	217	1,816	1,426	20	(370)
Governance	4,512	115	4,627	4,499	39	(89)
Growth & Regeneration	24,511	1,074	25,585	22,196	344	(3,045)
People & Communities	74,062	993	75,055	71,210	4,561	716
Public Health	207	0	207	1	0	(206)
Resources	40,083	862	40,945	36,386	559	(4,000)
Totals	144,974	3,261	148,235	135,718	5,523	(6,994)
Financing Adjustment						140
Revised Underspend						(6,854)
Contribution to the Capacity Building Reserve						6,854
Final Variance						0

5.2. A detailed breakdown of the outturn by Directorate and explanation of the major variances is provided in Appendix A.

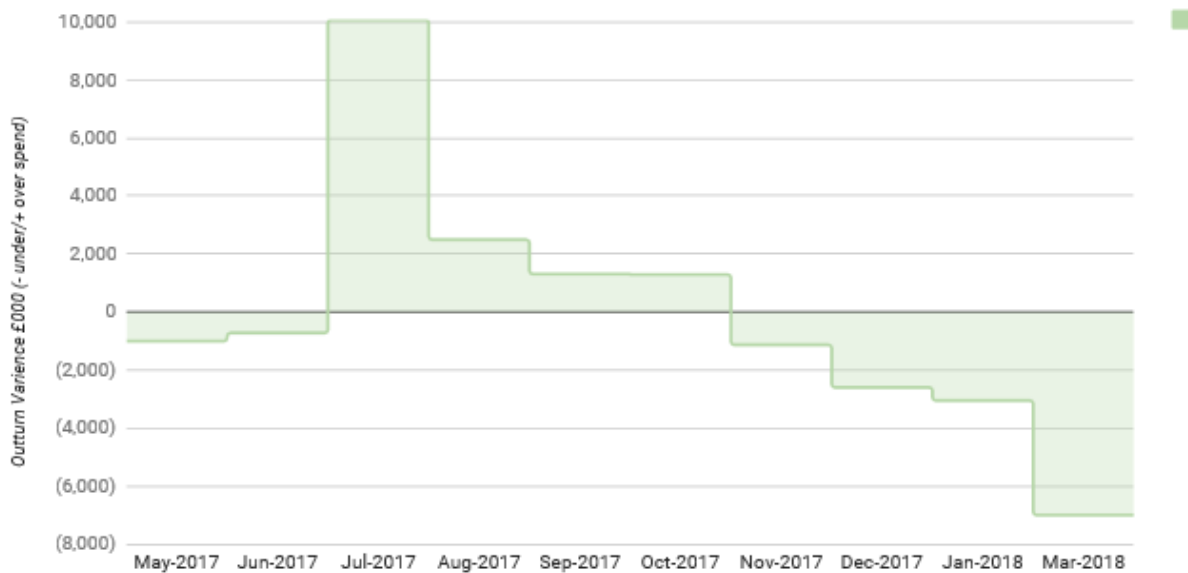
5.3. The overall position shows a £6.9m underspend, an improved position against a January 2018 Budgetary Control Report (BCR) forecast of a £3.5m underspend. This change is summarised in the following table:

	£000
January position	(3,466)
Chief Executives - minor variances	(79)
Governance - legal services additional income	(102)
Growth & Regeneration - savings in Highways Development team to fund temp staff	(163)
Growth & Regeneration - Business Rates	(115)
Growth & Regeneration - Energy from Waste plant additional income	(132)
Growth & Regeneration - Corporate repairs and maintenance and street cleaning underspend	(183)
Growth & Regeneration - various savings across the service including supplies and services, additional income generation, reduction in utility costs	(392)
Growth & Regeneration - reduction in unrecoverable road traffic accident costs.	(77)
Growth & Regeneration - Westcombe engineering additional income.	(35)
People & Communities - savings target in relation to 'Creation of Health and Social Care Teams' has not been achieved and is therefore reported as a pressure.	345
People & Communities - Home to School and Children's Social Care transport	(213)
People & Communities - Education - increased income from school DSG de-delegations	(408)
People & Communities - Adult Social Care	(424)
Resources - Centrally held inflation budget not allocated through bid system	(295)
Resources - Underspend against bad debt provision budget	(244)
Resources - ICT project budget underspend	(321)
Resources - Savings target in Energy Projects exceeded due to Empower extension	(480)
Resources - Income exceeded budget due to additional Cremation Fees plus allocated s106 money.	(225)

Resources - Prior year balance sheet reconciliation entries impacting on Payments and Subsidy revenue budget	367
Other Variances	(212)
Outturn position	(6,854)

5.4. The following Chart outlines the reported forecast outturn throughout the financial year:

Forecast Month by Month Outturn Variance for 2017/18



5.5. The graph demonstrates how the position reported has improved throughout the financial year for the council. This is as a result of actions taken by management to reduce the in year expenditure.

5.6. The most noticeable change is in July 2017, the forecast overspend reached £10m, this was largely the result of updated information in respect of the councils property sales, impacting the levels of capital receipts the Council was expecting to receive. Later progress updates on property sales meant that as the year progressed and further action was taken the Council was able to place greater certainty on receipts from property sales, and the Council was able to update its assumptions on this bringing down the expected overspend.

6. Reserves

- 6.1. The Council's reserves are monitored throughout the year as part of the budgetary control reporting and feed into the budget setting process accordingly. The following table summarises the balance for all reserves at the end of 2016/17 against the position at the end of 2017/18, and the forecast position for future years.

	2016/17	2017/18	2018/19	2019/20	2020/21
Summary of Reserves	Balance 31.03.17	Balance 31.03.18	Est Bal at 31.03.19	Est Bal at 31.03.20	Est Bal at 31.03.21
	£000	£000	£000	£000	£000
General Fund	6,000	6,000	6,000	6,000	6,000
Available Reserves:					
Capacity Building Reserve	4,314	12,714	11,574	11,539	11,539
Risk Management Contingency	680	0	0	0	0
Grant Equalisation Reserve	15,639	8,445	4,214	4,214	4,214
Development Equalisation Reserve	1,233	1,233	0	0	0
Departmental Reserve	3,855	5,197	902	902	902
Available Reserves	25,721	27,589	16,690	16,655	16,655
Ring-Fenced Reserves:					
Insurance Reserve	4,425	4,936	4,936	4,936	4,936
Schools Capital Expenditure Reserve	1,287	1,208	1,208	1,208	1,208
Parish Council Burial Ground Reserve	53	51	51	51	51
Hackney Carriage Reserve	155	203	203	203	203
School Leases Reserve	336	244	228	178	178
Future Cities Reserve	569	240	0	0	0
Public Health Reserve	428	428	230	230	230
Ring-Fenced Reserves	7,253	7,310	6,856	6,806	6,806
TOTAL Earmarked and General Fund Balance	38,974	40,899	29,546	29,461	29,461

- 6.2. The earmarked reserves balances are set aside for specific purposes, the table highlights which of these are reserves are ring-fenced for specific use, or available for use. The available for use reserves will be utilised in part over the next financial years to resource the cost of transformational change and support a sustainable and balanced budget.
- 6.3. The table also indicates what the expecting future reserves balances are, once the planned commitments against these have been realised.
- 6.4. Key comments for reserve movements are as follows:

Departmental Reserves - the amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the council in the following financial year.

Future Cities Reserve – the movement on this reserve represents further drawdowns from the Future Cities Grant awarded to Peterborough in 2013/14.

Risk Management Contingency – this reserve was created in the 2014/15 budget process by transfer from the Capacity Building Reserve to fund one-off type expenditure. In 2016/17 we expected to fully utilise the funds within this reserve, however this reserve has only seen a very small reduction in balance. As there are no further commitments against this at the

end of 2017/18 the balance of this reserve has been consolidated within the Capacity Building Reserve.

Capacity Building Reserve - this reserve is held to meet one off costs of service transformation and the delivery of savings within the MTFS. The MTFS agreed that a proportion of this would be used in 2016/17 and 2017/18 to drive forward the transformation of services to deliver savings. As part of an in year review of the reserves a number of the commitments against this reserve were released, and the current £6.9m departmental underspend has been contributed to this reserve, boosting the balance available for future transformation.

Public Health – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This balance has not changed in 2017/18, however there is future planned use of the reserve as detailed in the MTFS, to support the delivery of public health services through a period of transformation.

Grant Equalisation – This reserve was created in 2015/16, with the purpose of stabilising the budget position, while the Government funding received by the Council reduces considerably. The £7.2m was used to support the position in 2017/18 and £4.2m is planned in 2018/19 as per the MTFS. There are no further commitments against this reserve at this time.

Development Equalisation Reserve - This reserve was established at the end of 2016/17 to manage cash flow in relation to a £1.2m declared distribution from the Peterborough Investment Partnership (PIP), and will be fully required in 2018/19.

General Fund – the general fund will be maintained at £6.0m and this is consistent with the current budget strategy.

7. Capital Budget Report as at 31 March 2018

- 7.1. The following provides the final position of Council's Asset Investment Plan and the Treasury activity for the financial year 2017/18. Treasury activity for the Council during 2017/18 has been compliant with the Treasury Management Strategy approved in March 2017. This information compliments the Prudential Indicators performance report as set out in Appendix B.

Asset Investment Plan 2017/18

- 7.2. The final adjusted budget for the 2017/18 financial year was £80m, which includes £13.6m for Invest to Save (I2S) Schemes. The agreed investment as per the Medium Term Financial Plan (MTFS) was £219.3m. The movement between the MTFS position and the £80m is a result of projects not being delivered to the original timescales, and other projects being removed following an enhanced scrutiny process linking to the development of the 2018/19 MTFS. The Invest to Save projects have been cut significantly, and a number of other large projects across all directorates have been reprofiled to more accurately reflect the spending over future years.
- 7.3. During the year the Council enhanced its governance arrangements for making asset investment decisions and project management in the City through the implementation of the Capital Review Group. This review group has focused on ensuring all schemes in the asset investment plan provide value for money, are correctly profiled to ensure effective borrowing decisions can be made, and project management review is strengthened.
- 7.4. The following table shows capital budgets as agreed for the 2017/18 MTFS (£219.3m), budgets containing slippage from 2016/17 (£324.7m), and the budget as reported at 31 January 2018

(£92.8m). This compares to the final expenditure for each directorates and how this investment is planned to be financed (£80.3m).

Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Governance	-	49	-	-
Growth & Regeneration	37,064	44,704	32,000	28,662
People & Communities	65,916	77,783	36,549	32,921
Resources	23,378	32,575	8,954	5,086
Invest to Save	92,954	169,547	15,288	13,584
TOTAL	219,312	324,658	92,791	80,253
Grants & Contributions	44,259	50,297	39,773	36,531
Borrowing for capital programme	174,111	273,277	51,935	42,639
Capital Receipts relating to loans	942	1,083	1,083	1,083
TOTAL	219,312	324,658	92,791	80,253

- 7.5. The Council and CMT have agreed to reduce and re-phase some projects in the programme during the year to reduce the impact on financial resources or to reflect changing demographic needs. Other projects have been subject to delays which have led to budgets being slipped into 2018/19.
- 7.6. Listed below are the material value projects that have been slipped into 2018/19 that have contributed to the variance between the revised budget reported at January 2018 and the reported capital programme outturn of £80.3m.
- Jack Hunt Expansion, £1.3m – scheme impacted by delays caused through Carillion collapse
 - Omiston Bushfield Academy Expansion, £0.6m – delays in completion of milestones which trigger payments
 - Nene Park Academy Expansion, £0.8m – review of costs required to complete scheme alongside delays in completion of milestones which trigger payments
 - Clare Lodge - Phase 6, £0.7m - delays in completion of milestones which trigger payments
 - Customer Experience, £0.6m – a review of the schemes making up this project was undertaken during the year which resulted in some schemes being removed, and for other schemes requirements being realigned to ensure better value for money was to be achieved which has caused some delays
 - Housing Joint Venture, £4.0m – delays experienced in the Bretton Court element of the scheme
 - Fletton Quays Fit Out, £2.4m – payments have not occurred in accordance with profile originally envisaged

Funding the Asset Investment Plan

- 7.7. In reflection of the Council's Minimum Revenue Provision (MRP) Policy, the Asset Investment Plan is funded via grants and third party contributions, and borrowing funds from the external market. Capital receipts generated from the sale of Council assets now contribute to the MRP and therefore no longer form part of the funding of the Asset Investment Plan. However, as per 4.9 it is recognised that this treatment is not sustainable position for the longer term MTFS.
- 7.8. It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The

Council borrows only to fund expenditure for new assets, and not for revenue expenditure. Just over half the expenditure incurred on asset investment will be funded via borrowing.

7.9. The Council's borrowing as at the end of the financial year is £419.6m, and the total interest paid on these loans for the year was £13.7m. The following tables summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.

Borrowing Activity for the Year	£000	£000
April 2017 Debt B/fwd		395,371
New Debt in year	43,000	
Repayment in year	(18,784)	
Net increase / (decrease) for the year		24,216
TOTAL		419,587

Borrowings	Less than 1yr	1-2yrs	3-5yrs	6 - 10yrs	10+yrs	Total	Ave. Interest Rate	Ave. length of loan
	£000	£000	£000	£000	£000	£000	%	Years
PWLB	-	-	11,628	15,715	302,244	329,587	3.68	31
Local Authority	19,000	45,500	5,000	-	-	69,500	1.28	1
Market Loans	-	-	-	-	17,500	17,500	4.53	28
LEP Loan	3,000	-	-	-	-	3,000	0.00	0
Total Borrowing	22,000	45,500	16,628	15,715	319,744	419,587	3.26	25
% of total Borrowing	5%	11%	4%	4%	76%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

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

Capital Receipts

7.11. As per the MTFs and the Council's MRP policy, capital receipts generated from the sale of Council assets now contribute to the MRP and therefore no longer form part of the funding of the Asset Investment Plan. However, as per 4.9 it is recognised that this treatment is not sustainable position for the longer term MTFs.

7.12. This transaction reflects the cash flow of receipts rather than the funding of the capital programme. The application provides a short term benefit to the Council's revenue budgets as the income, by its very nature, is one-off and non-recurring income and postpone the budget gap to future years.

7.13. The following table shows the amounts of capital receipts built into the MTFs for last, current and future financial years.

MTFS	Budget £000	Achieved £000	Green £000	Amber £000	Red £000	(Short) / Over
2017/18	12,738	4,310				(8,428)
2018/19	2,922		8,958	8,784		14,820
2019/20	4,319			1,850		(2,469)
2020/21	0					

7.14. Whilst the Tesam sale occurred in 2017/18 the cash was not received by the 31 March 2018 (£8,950k). It can be used in 2018/19 to offset MRP, or could be used to fund transformational investment per Sajid Javid announcement in December 2017, of a continuation of the capital receipts flexibility programme for a further three years, to allow councils to use sales of their assets flexibly. This receipt is shown in the Green column of the previous table. In order for the timing difference not to have an impact in 2017/18, funding from POIS and the MRP overprovision was used to offset MRP rather than the Tesam receipt, see table below. Therefore there are no additional funds to use in 2018/19.

	MRP	MRP Offset By:			
		Capital Receipts	POIS	Overprovision	TOTAL
£000	12,278	(7,179)	(4,437)	(662)	(12,278)

Investments

- 7.15. The Council aims to achieve the optimum interest on investments commensurate with the proper levels of security and liquidity.
- 7.16. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 7.17. In the current economic climate the Council considered it appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) and Bank of Scotland (part of the Lloyds Banking Group), the Debt Management Office and Local Authorities. The Council opened a Money Market Fund account during the year to help mitigate the investment risks, whilst increasing returns. At the end of the financial year, the Council's external investments totalled £9m and the interest that has been received from all external investment activity has yielded £86k.
- 7.18. Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B along with an update on treasury management activity and other financial performance indicators in Appendix C.

8. Consultation

- 8.1. Detailed reports have been discussed in Departmental Management Teams and this report with the Corporate Management Team.

9. Anticipated Outcomes

9.1. That the outturn position for 2017/18 is noted.

10. Reasons for Recommendations

10.1. This monitoring report forms part of the 2017/18 closure of accounts and decision making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

11. Alternative Options Considered

11.1. None required.

12. Implications

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

13. Background Documents

13.1. The 2017/18 Medium Term Financial Strategy-

<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/news/council/budgets-spending-and-performance/MediumTermFinancialStrategy201718to202627-AllStrategies.pdf?inline=true>

13.2. The 2018/19 Medium Term Financial Strategy-

<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/budgets-spending-and-performance/MediumTermFinancialStrategy2018-19To20-21.pdf?inline=true>

13.3. Budgetary Control Report September 2017 (20 November 17 cabinet) – Item 8.

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3979&Ver=4>

13.4. Budgetary Control Report September 2017 update (4 December 17 Cabinet) – Item 4.

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3980&Ver=4>

13.5. Budgetary Control Report November 2017 (15 January 18 Cabinet) – Item 10.

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3981&Ver=4>

13.6. Budgetary Control Report December 2017 (9 February 18 Cabinet)-

<http://democracy.peterborough.gov.uk/documents/s33575/8.%20Budget%20Control%20Report.pdf>

13.7. Budgetary Control Report January 2018 (26 March 18 Cabinet) – Item 8.

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=3984&Ver=4>

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2017/18 REVENUE OUTTURN REPORT

Directorate	Budget Group	Budget 2017/18	Cont. from reserves	Revised Budget	Actual Spend	Cont. to reserves	Outturn Variance	Outturn Variance	Previous Variance	Movement
		£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executive	Chief Executive	240	0	240	174	0	(66)	-28%	(55)	(11)
	HR	1,359	217	1,576	1,252	20	(304)	-19%	(236)	(68)
	Total Chief Executives	1,599	217	1,816	1,426	20	(370)	-20%	(291)	(79)
Governance	Director of Governance	357	0	357	301	0	(56)	-16%	(36)	(20)
	Legal & Democratic	3,544	115	3,659	3,501	0	(158)	-4%	(6)	(152)
	Performance & Information	611	0	611	697	39	125	20%	38	87
	Total Governance	4,512	115	4,627	4,499	39	(89)	-2%	(4)	(85)
Growth & Regeneration	Development and Construction	291	0	291	(89)	0	(380)	-131%	(239)	(141)
	Director, OP & JV	528	185	713	(143)	150	(706)	-99%	(568)	(138)
	Peterborough Highway Services	9,673	0	9,673	8,985	0	(688)	-7%	(165)	(523)
	Sustainable Growth Strategy	1,799	365	2,164	1,811	194	(159)	-7%	(113)	(46)
	Corporate Property	783	134	917	509	0	(408)	-44%	(163)	(245)
	Amey Peterborough & Waste Management	11,333	390	11,723	11,054	0	(669)	-6%	(300)	(369)
	Westcombe Engineering	104	0	104	69	0	(35)	-34%	0	(35)
	Total Growth & Regeneration	24,511	1,074	25,585	22,196	344	(3,045)	-12%	(1,548)	(1,497)
People & Communities	Adults	41,303	26	41,329	38,385	686	(2,258)	-5%	(1,834)	(424)
	Commissioning & Commercial Operations	14,251	0	14,251	15,957	0	1,706	12%	1,485	221
	Children's & Safeguarding	10,489	66	10,555	8,341	2,014	(200)	-2%	(85)	(115)
	Director	851	0	851	776	0	(75)	-9%	(682)	607
	Education	2,285	713	2,998	1,327	1,378	(293)	-10%	591	(884)
	Communities	4,883	188	5,071	6,424	483	1,836	36%	1,949	(113)
	Total People & Communities	74,062	993	75,055	71,210	4,561	716	1%	1,424	(708)
Public Health	Children 0-5 Health Visitors	2,967	0	2,967	2,937	0	(30)	-1%	0	(30)
	Children 5-19 Health Programmes	1,999	0	1,999	1,994	0	(5)	0%	0	(5)
	Sexual Health	1,817	0	1,817	1,829	0	12	1%	(1)	13
	Substance Misuse	2,370	0	2,370	2,348	0	(22)	-1%	(22)	0
	Smoking and Tobacco	375	0	375	316	0	(59)	-16%	(52)	(7)
	Miscellaneous Public Health Services	1,875	0	1,875	1,773	0	(102)	-5%	(93)	(9)
	Public Health Grant	(11,196)	0	(11,196)	(11,196)	0	0	0%	0	0
	Total Public Health	207	0	207	1	0	(206)	-100%	(168)	(38)
Resources	Director's Office	258	0	258	283	0	25	10%	38	(13)
	Financial Services	3,602	325	3,927	3,030	511	(386)	-10%	(352)	(34)

APPENDIX A

	Capital Financing and Capital Receipts	15,988	0	15,988	13,752	0	(2,236)	-14%	(2,344)	108
	Corporate Items	5,698	341	6,039	4,050	0	(1,989)	-33%	(1,474)	(515)
	Peterborough Serco Strategic Partnership	7,352	0	7,352	7,385	0	33	0%	(552)	585
	ICT	5,944	110	6,054	6,096	0	42	1%	371	(329)
	Commercial Group	334	0	334	378	0	44	13%	7	37
	Energy	392	0	392	865	0	473	121%	952	(479)
	Vivacity/Cultural Services	2,608	5	2,613	2,514	0	(99)	-4%	6	(105)
	Cemeteries, Cremation & Registrars	(1,326)	38	(1,288)	(1,581)	0	(293)	23%	(45)	(248)
	City Servs & Communications	(767)	43	(724)	(386)	48	386	-53%	426	(40)
	Total Resources	40,083	862	40,945	36,386	559	(4,000)	-10%	(2,967)	(1,033)
	Total Expenditure	144,974	3,261	148,235	135,718	5,523	(6,994)	-5%	(3,554)	(3,440)
	Financed by:									
	Council Tax	(64,418)	0	(64,418)	(64,418)	0	0	0%	0	0
	Council Tax - Adult Social Care precept	(3,169)	0	(3,169)	(3,169)	0	0	0%	0	0
	NDR Income	(43,650)	0	(43,650)	(43,680)	0	(30)	0%	87	(117)
	NDR Levy	183	0	183	213	0	30	17%	0	30
	NDR Tarriff	2,132	0	2,132	2,301	0	169	8%	0	169
	Revenue Support Grant	(19,821)	0	(19,821)	(19,821)	0	0	0%	0	0
	Transport Levy returned from the Combined Authority	(9,823)	0	(9,823)	(9,823)	0	0	0%	0	0
	Transport Levy paid to the Combined Authority	9,823	0	9,823	9,823	0	0	0%	0	0
	Parish Precept	(600)	0	(600)	(600)	0	0	0%	0	0
	New Homes Bonus	(6,548)	0	(6,548)	(6,548)	0	0	0%	0	0
	Section 31 Grant	(2,874)	0	(2,874)	(2,902)	0	(28)	1%	0	(28)
	Contribution from Grant Equalisation Reserve	(7,194)	0	(7,194)	(7,194)	0	0	0%	0	0
	Contribution from/to Reserves	0	(3,261)	(3,261)	(3,261)	0	0	0%	0	0
	Collection Fund - Council Tax	(173)	0	(173)	(174)	0	(1)	1%	0	(1)
	Collection Fund - NDR	1,158	0	1,158	1,158	0	0	0%	0	0
	Total Financing	(144,974)	(3,261)	(148,235)	(148,095)	0	140	0%	87	53
	Net	0	0	0	(12,377)	5,523	(6,854)	-5%	(3,467)	(3,387)

Explanation of Key Departmental Variances:

1. Chief Executives – Underspend £0.370m

Chief Executive

- There is an underspend of £0.066m, largely due to one off savings in supplies and services budgets.

HR

- There is a £0.137m saving due to vacant posts.
- A £0.047m saving against the Workforce Development and Training budgets was achieved in this financial year.
- A recharge for income from Cambridgeshire and Peterborough Combined Authority and Public Health gave a total of £0.068m additional income against the budget.

2. Governance- Underspend £0.089m

Director of Governance

- Miscellaneous small underspends across the service area are £0.056m.

Legal & Democratic

- There is an overspend of £0.240m on the Legal salaries budget due to a combination of the use of locums being used to cover vacancies, payment of market supplement to retain current staff and also an overspend in children's safeguarding legal costs. Additional budget was agreed in the 2018/19 MTFS to fund an additional Lawyer and a Business Support Officer to cope with the increased workload.
- There was an underspend of £0.043m on the salary budgets in the Governance support and Elections service.
- Additional income of £0.141m in relation to Land Charges.
- Legal services received additional income of £0.131m relating to works completed for external customers.
- An underspend of £0.097m in relation to the Members' Allowances budget, this is due to Councillor vacancies within the year, and a reduction in photocopying, postage and printing, ICT and premises hire costs.

Performance & Information

- An overspend of £0.125m on Coroner's budget due to an increase in demand. This ongoing pressure and has been incorporated within the budget requirement for future years.

3. Growth and Regeneration- Underspend £3.045m

Development and Construction

- There is a favourable variance of £0.198m within Development and Construction mainly due to additional Planning fee income.
- Savings on Legal costs of £0.075m have been achieved and are considerably less than in 2016/17. This budget is incorporated within the MTFS as a risk mechanism to cover the costs of

any legal challenges, this underspend is the result of receiving no legal challenges within 2017/18.

- The saving on employee costs increased to £0.057m as the final cost of temporary staff was less than anticipated.

Director, Opportunity Peterborough & Joint Venture

- A saving of £0.437m has been delivered in respect of the Highways roadmap efficiency programme. This includes removing budget from the Highways contract where the same level of service is delivered at a lower cost. (This has been delivered by improved programming and co-ordinating to avoid separate traffic management costs). It also includes receiving rebates based on a percentage of additional works put through the contract e.g. works for third parties. The final 2017/18 rebate figure was higher than previously anticipated, partly due to a fee uplift and partly a result of work being completed ahead of the original timeframes. The ongoing elements of these savings are factored into 2018/19 budgets.
- A saving of £0.269m has been achieved, through extracting budgets from across the directorate following outturn review for car allowances, administration expenses, telephones, salaries, professional services, and consultancy and computer software. The favourable variance has recently increased as expected Housing Joint Venture (JV) costs didn't arise. This also includes a £0.045m surplus (4%) on the arrangement between Peterborough Investment Partnership, Peterborough City Council and Skanska for the building of the access road for Fletton Quays.

Peterborough Highway Services

- A slightly reduced overspend of £0.264m due to a substantial inflationary increase in street lighting energy costs and a delayed start to the LED project. A budget adjustment is proposed for 2018/19.
- Highways Development is favourable by £0.405m due to significantly higher S38 income and departmental savings. This is partly offset by other staff costs and Community Link Bus Service costs. Savings have increased due to a lower than anticipated temporary staffing costs, and increased income due to more staff clearing more jobs
- The department is also delivering a further £0.347m. This is being delivered via savings within the transport planning, street lighting maintenance and the drainage services. Savings increased due to reduced final concessionary fares costs, improved New Roads and Street Works Act (NRSWA) income and traffic signals department costs significantly less than budget. There is also a one-off saving from winter maintenance, and a one off saving from the delayed move to permitting from noticing. These will be kept under review for 2018/19.
- Junction 18 footbridge – there is no longer a requirement for the capacity bid for maintenance works of £0.200m (previously reported £0.050m) as the capital project will be underway in 2018/19

Corporate Property

- Additional rental income of £0.143m has been achieved in relation to investment property purchased in Fengate in March 2017, this has been built in to the budget from 2018/19 onwards.
- A saving of £0.085m is reported on Utility costs. Expected increases in costs and the disposal of one of the properties this relates to, means it's likely this saving will not continue for 2018/19.
- Savings on the Business Rates budget of £0.115m, including Bridge Street at £0.045m & Unit 2 Tesam £0.058m. Credits for previous years now received.

Amey Peterborough & Waste Management

- An underspend of £0.181m has arisen on the Amey contract, in respect of a lower pension contribution rate in comparison with that assumed in the contract. The impact of this in future years will be considered along with a number of other potential contract costs.
- Proposed savings from Bin Sponsorship income £0.040m, and charging developers for bins £0.040m has not been achieved due to the lack of take up from the market, this have been corrected in the 2018/19 Budget.
- Energy from Waste is reporting additional income of £0.282m. The one off additional income is due to increased volume and price change, Triad income higher than expected, and monthly wholesale income unit price higher than expected.
- A £0.089m saving on street cleansing from a delayed start in the additional cleansing as agreed in the 2017/18 MTFs, in addition to this the costs were lower than expected within spring clean, abandon vehicles and emergency Street Cleansing
- Corporate Repairs & Maintenance underspend of £0.143m has been achieved. This is a result of adhoc Repairs & Maintenance lower than expected during December 2017 to March 2018, also Repairs & Maintenance on Photovoltaics Solar panels to start later than expected and now during 2018/19.
- Third party contract savings have been achieved within Parks, Trees and Open Spaces of £0.054m. Adhoc spend in Open Spaces was lower than expected and Highways Grounds Maintenance cost lower than budgeted.

Sustainable Growth Strategy

- There are various savings totalling £0.075m within this area, including the New Burdens funding for the Self & Custom Build Housing / Brownfield Register Pilot. Savings increased due to reduced use of consultancy and software costs and Historic Environment Records (HER) database project not approved.
- Savings on employee costs £0.084m due to reduced temporary staffing costs.

4. People and Communities Overspend £0.716m

Adults

- The Therapy, Reablement, Community Equipment service has overspent by £0.039m of this staffing budgets have overspent by £0.242m (the 0-25 Team accounts for £0.243m of this figure) and non-pay budgets are underspent by £0.210m.
- The Home Services Delivery Model is underspent by £0.115m. This saving is part of the non-digital element of the Digital Front Door savings.
- The Finance Service area has underspent by £3.797m This is broken down as follows: -
 - The council has invested £2.0m of capital funding in to a vulnerable housing scheme which has enabled the release £1.629m Improved Better Care Fund (IBCF) funding, to support other activity.
 - Better Care Fund (BCF) underspent by £0.1m as the Clinical Commissioning Group (CCG) contribution wasn't required to be made.
 - Resource plan underspent by £0.586m.
 - Bad debt provision underspent due to improved debt collection by £0.199m.
 - Care Act underspent by £1.207m, this is due to schemes been delayed to reduce overall departmental spend. These schemes include Points of Access - Front Door, Investment in Community Capacity, and Assistive Technology for Parent Carers, and funds have been transferred to an Earmarked Reserve.

- A pressure of £0.219m has arisen from funding for Care Act responsibilities, which was only factored into the MTFS for one year and need to be replicated in future years to ensure that the Council meets its obligations. This issue has been addressed in the 2018/19 budget.
- Projects not required underspend £0.225m, this projects were stopped or delayed as part of management action taken to support other areas of budget overspend.
- The Adults placement budget overspent by £1.482m, this is due to a combination of factors such as increased demand, contract inflation and a rise in the amount of high cost placements required.

Commissioning and Commercial Operations

- Clare Lodge is reporting an adverse variance of £0.830m at the end of the year. This is due to three key factors:
 - A pressure of £0.250m of this relates to the non-achievement of the additional MTFS Income target as a result of the delay in Construction work.
 - A £0.100m pressure is as a result of non-achievement of pay terms and conditions savings. A pressure of £0.480m is reported, which is broken down as follows:
 - There is reduced occupancy and therefore income, as the result of lower demand from other Local Authority Commissioners for beds at Clare Lodge. This has generated a pressure of £0.408m.
 - Clare Lodge is also struggling to recruit and retain staff. Without the required staffing levels it can't safely staff the units and therefore is unable make beds available. As a result of this, an overspend of £0.654m is reported against External Agency staffing. Due to problems with recruiting permanent staff an underspend of £0.451m is reported against other staffing budgets.
 - There is also an underspend of £0.130m on supplies and services.
 - Clare Lodge in conjunction with the responsible Local Authority Officer are working to increase occupancy
- The Commissioning service area has underspent by £0.159m. This is broken down due to a pressure of £0.038m relating to Play Centre property costs has arisen as a result of the delayed Community Asset transfer an underspend of £0.197m against Children's Commissioning budgets has been identified as a result of additional spending controls to mitigate the pressure against Clare Lodge.
- The Permanency Service (TACT) has overspent by £1m against a budget of £13.4m. The additional cost is as a result of looked after children (LAC) numbers being higher at the beginning of the contract than was anticipated. Work is ongoing with TACT on plans to reduce this number however this is taking longer than anticipated and as such giving rise to a pressure in year. Work is still underway to address this with results more likely to give rise to savings in 2019/20. Further work is being done around placement mix and the impact on the savings built into the contract for 2017/18 due to the later than planned mobilisation of the contract and therefore the changes that TACT are making were later into the contract than was originally anticipated. Discussions have been held with TACT and this is expected to be resolved for 2019/20 and there is a commitment that they will be able to deliver the level of savings that the contract requires. This will depend upon working together to get the LAC numbers back to the level that the contract was built on.

Children's and Safeguarding

- The Children's Social Care service area is reporting an underspent position of £0.040m. This is due to a £0.131m pressure on car and travel allowances, a £0.129m saving on staffing costs, a £0.042m saving in relation to other Income and Expenditure.
- An underspend of £0.193m is reported against the £0.054m budget for Children's Placements. This underspend has arisen as a result of an in depth review of Purchase Orders which relate to the period prior to the mobilisation of the TACT contract.

Director

- The £0.500m savings target in relation to 'New ways of working' has not been achieved and has therefore been reported as a pressure, and has been corrected in the 2018/19 budget.
- This pressure has been partially offset by a one off £0.409m saving in relation to the prior year element of the Norfolk Ordinary Residence case which has recently been agreed and paid.
- The £0.345m savings target in relation to 'Creation of Health and Social Care Teams' has not been achieved and is therefore reported as a pressure. This was in relation to creating neighbourhood multi-disciplinary teams linked to GP Surgeries. Health Priorities changed after the introduction of the Sustainability and Transformation programme (STP)
- The MTFs saving referenced 'SERCO Insight and Analytics' is reported as a £0.163m pressure.
- £0.465m of the departmental contingency has been released to offset Department pressures the departmental contingency was set up to help cover some in year pressures including the TACT contract which is the first of its type in the country. It was deemed appropriate to hold a contingency in light of this especially late mobilisation of the contract.
- Shared management arrangements with Cambridgeshire County Council has generated an underspend of £0.094m, this saving has been incorporated within the budget from 2018/19 onwards.
- Staff vacancies in the People and Communities finance team has resulted in an underspend of £0.084m.
- The front door programme was a two year programme starting in 2016/17 with further savings to be made in 2017/18. The programme was made up of two overarching programmes - digital solutions Digital Front Door (DFD) and Non-Digital Front Door (NDFD) practice initiatives and changes. The DFD element was cross cutting across the council (although the savings were allocated against People and Communities). The digital savings have not been delivered yet and are currently under a corporate review. The non-digital elements have been delivered with reductions in high cost placements, home services model delivery (including care and repair, reablement and increased use of Assistive Technology). The non-digital elements have been able to cover the savings related to the DFD and have therefore achieved the front door programme savings target for both years.

Education

- The Home to School and Children's Social Care Transport service area overspent by £0.356m the key elements of this are as follows:
 - An overspend of £0.262m due to a combination of demographic pressure and savings arising from the recent exercise to rationalise and re-tender routes etc.
 - The Children's Social Care transport is overspent by £0.063m. In part this is due to the loss of voluntary drivers and the necessity to procure more taxi transport. The transport team are actively trying to recruit additional voluntary drivers to reduce costs.
- The Pupil Referral Service is overspent by £0.237m this is as a result of the implementation of a new national funding model. This pressure has been addressed in the 2018/19 budget process.

- An underspend of £0.237m is reported against the PFI budget which relates to the PFI insurance rebate received for the period September 2015 to August 2017. £0.096m relates to underspends on utility costs.
- An underspend of £0.408m is reported against financing. This is as a result of increased School Dedicated Schools Grant (DSG) de-delegations and transitional grant. This underspend is not expected to be repeated in 2018/19 as more schools convert to academy and the transitional grant ends.
- An underspend of £0.098m is reported against School Standards and Effectiveness. This is as a result of additional Income (traded and fines) and the release of funding in relation to Education Safeguarding.
- An underspend of £0.069m is reported against Service Director Education. This is in relation to the joint Cambridgeshire County Council and Peterborough Council Service Director costs and a Project Manager post which was no longer required.

Communities

- The Housing Service area is reporting an overspend of £1.507m, this largely relates to Homelessness/ temporary accommodation costs. This is being closely monitored by Management.
- The Housing Enforcement Service area overspent by £0.366m, mainly as a result of the following:
 - Selective Licensing is overspent by £0.244m which is primarily as a result of the very high take up of an early bird discount scheme. Work is being undertaken to identify additional homes which should be licensed which should close the gap in financial years 2018/19 onwards
 - An overspend of £0.145m has arisen due to the under achievement of income in relation to Energy Performance Certificates (EPC). The income loss has been addressed in the 2018/19 budget setting process.

5. Public Health - Underspend £0.206m

- Public Health is reporting a favourable variance of £0.206m against its budget, this will be taken to bottom line for the council's savings. The key variances in each of the service areas are as follows:
 - Substance misuse has underspent by £0.022m. This underspend is as a result of an accrual (payment expected in prior year that never materialised) for DETOX treatment which is no longer required.
 - Smoking and Tobacco is forecast to underspend by £0.059m against its Smoking cessation services, due to underperformance of GP practice and pharmacy contracts to deliver smoking cessation services and underspends on medication.
 - Miscellaneous Public Health Services has underspent by £0.102m. This is as a result of an accrual for Redundancy which is no longer required (£0.060m) and the balance relates to two Public Health projects which will no longer be funded from 2017/18 revenue budgets. These are South Asian health checks for people aged under 40, which will no longer be implemented following changes to the relevant evidence base, and Healthier Eating in fast food outlets, which is still under discussion with the Environmental Health Team, and for which any costs will be funded from public health reserves.
- The Public Health department has managed its own resource envelope, when it was initially thought it would need £0.207m from the general fund to support its budget as a result of the

loss of grant supporting Public Health. Therefore the £0.207m will be released to general fund.

6. Resources- Underspend £4.000m

Financial Services

- A favourable variance of £0.386m within financial services, and in respect of the £1.030m Insurance budget, arising mainly from additional income of £0.066m from external recharges relating to management fees on school insurance recharges. Additional savings total £0.055m.

Capital Financing & Capital Receipts

- An underspend of £2.236m has been achieved on financing the capital programme, through lower costs for new borrowing and offset of the revenue minimum revenue provision (MRP). This is the result of borrowing for investment in assets across the city not being incurred to the timescales originally planned, total borrowed amounts not being as great as budgeted, and where borrowing has occurred the loans have been taken at lower rates than previously forecast. For further more detailed information see Capital Budget section of this report.
- Capital receipts, used to offset the MRP were £5.6m lower than budgeted due to actual cash being received after the end of the financial year. As this is a timing difference, where the receipts are expected to be used in 2018/19, MRP offset items agreed in the 2018/19 MTFS have been brought forward used instead. This relates to the use of POIS monies and some of the MRP Overprovision. For further more detailed information see Capital Budget section of this report.

Corporate Items

- There is a favourable variance of £1.990m within this area due to a review of corporate budgets. The variance includes £0.170m higher than budgeted income from the Cross Keys VAT shelter and the retention of £0.373m general and specific inflation not allocated to services, along with £0.295m centrally held inflation which have been reported as underspent. There was a budget allocated for the introduction of the auto-enrolment of the pension scheme which was to be introduced this year, but this £0.412m budget is no longer required and a further £0.385m saved in respect of lump sum pension fund contributions. Pension costs for premature retirement were £0.035m lower than then budgeted.
- External Audit fees are underspent by £0.023m largely due to a PSSA Audit Commission rebate.
- Around £0.037m has been saved in respect of the Apprenticeship Levy. In addition the budget for bad debt provision was not fully utilised and gave a saving of £0.244m. The 2018/19 impact of all of these savings are factored into budget proposals.

Peterborough Serco Strategic Partnership (PSSP)

- There is an additional £0.288m of Court Cost income and is expected to continue in future years and will be factored into the 2018/19 Budget.
- There is a £0.090m favourable variance on the Housing Benefit Subsidy Budget, this equates to less than a 0.01% variance on the £66m budget.

ICT

- There is an overspend of £0.237m against the £0.410m budget for the revenue impact of the IT Strategy of moving costs into the Cloud, as the cost was not fully identified at the time that the budget was set.
- There is also a pressure of £0.391m from the delay in delivering Salesforce Line of Business applications & Box having not yet been decommissioned, due to business continuity.

Energy

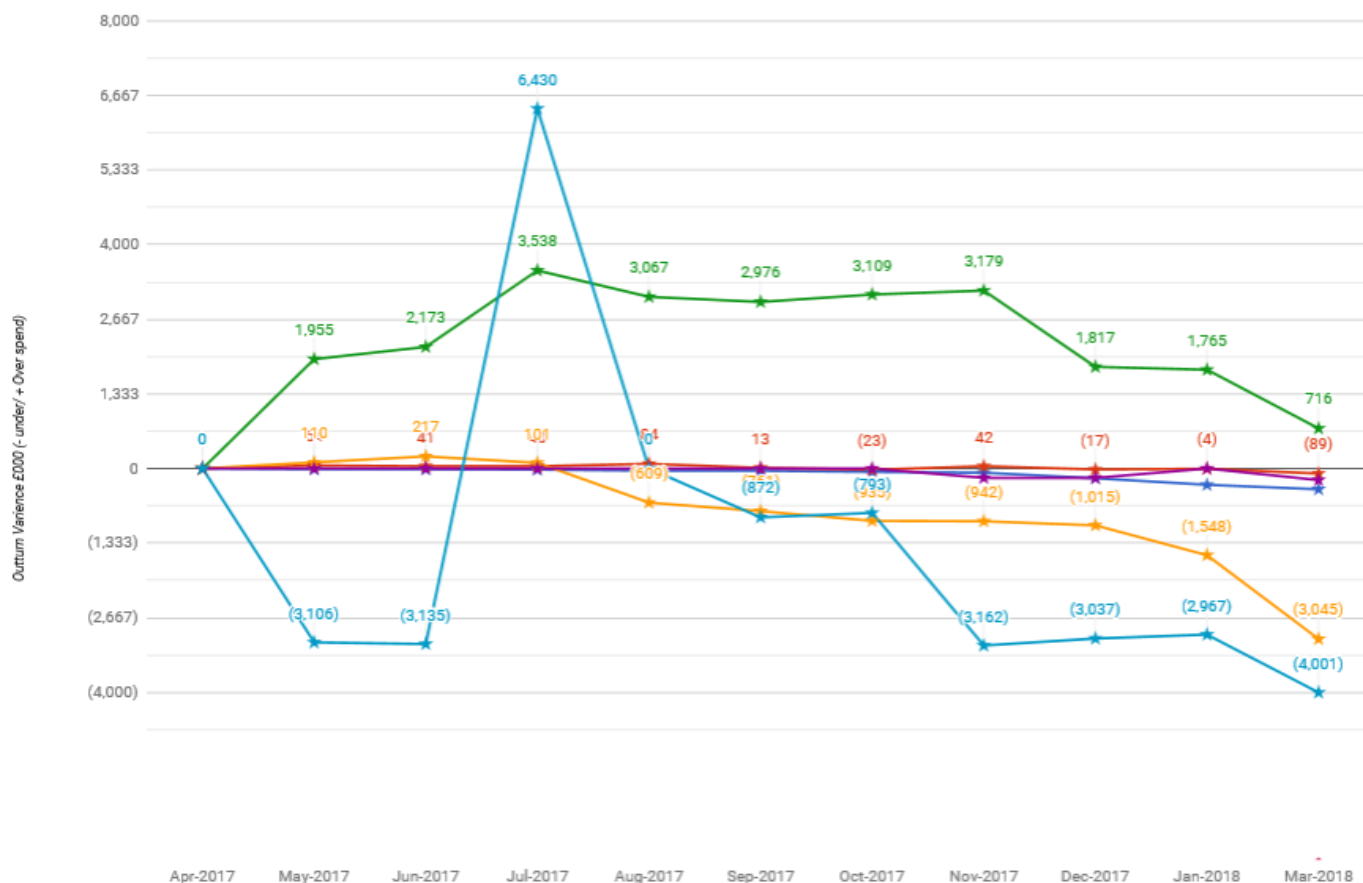
- One-off unbudgeted cost of £0.710m in relation to writing off abortive capital project costs.
- The Energy Projects savings target was exceeded by £0.238m during this year.

City Services and Communications

- The off street parking income budget of £2.400m is £0.348m adverse, but this is being offset by staff parking income which is £0.014m higher than the budget of £0.310m and season ticket income £0.077m higher than the budget of £0.108m.
- The Market, Events and Tourism service area reports an adverse variance of £0.310m. This is mainly due to £0.181m lower income than the budgeted £0.465m at the Market, £0.012m variance on £0.130m budget at the Destination Centre and a £0.014m surplus generated by the Perkins Great Eastern Run (PGER).
- Health and Safety recharges were £0.046m lower than expected.
- The Design and Print Team is a self-sufficient, through recharging all costs based on jobs completed. However £0.026m of costs was not recovered during this financial year, causing an adverse position.
- The income budgets for Travel choice and the Pedestrian Area within Markets, Tourism and Events are adverse by £0.138m due to reduced Coach Company income and street advertising income.
- Following a review of spending across the City Services & Communications service area, in year savings of £0.200m were achieved for 2017/18, over a gross expenditure budget of £5.740m.

The following Graph outlines the departmental position reported throughout 2017/18 year.

Service Forecast Month by Month Outturn Variance for 2017/18



- ★ Chief Executives
- ★ Governance
- ★ Growth & Regeneration
- ★ People & Communities
- ★ Public Health
- ★ Resources

Trend analysis

The graph demonstrates how the position reported has improved throughout the financial year for most departments. This is as a result of actions taken by management to reduce the in year expenditure. The most noticeable changes are within the resources department. In July 2017, the overspend forecast reached £6.430m, this was as a result of information on the capital receipts the Council was expecting to receive. Later updates to this meant that the Council was able to update its assumptions on this bringing down the expected overspend.

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Treasury Management Strategy – Prudential Indicators – Outturn 2017/2018

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

- (a) capital expenditure plans are affordable,
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

The Code requires the Council to set a range of Prudential Indicators for the forthcoming financial year and at least the following two financial years. The Council has set out indicators for the next 10 financial years in line with setting a 10 year budget. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Management Strategy.

The actual outturn for the Prudential Indicators for the financial year are detailed below. The indicators include the Invest to Save scheme. The costs of borrowing associated with these schemes will be offset by the income or savings generated by these projects.

The updated 2017/18 Prudential Indicators are shown below and the Council's performance to date against them. All performance is within the limits.

1. Indicator 1: Capital Expenditure

This indicator is the estimated capital expenditure for the year based on the Capital Programme for that period.

Capital Expenditure	2017/18 Indicator £m	2017/18 Actual £m
Capital Expenditure	140.6	66.7
Invest to Save	78.7	13.6
Total	219.3	80.3

The outturn is lower than the MTFS indicator due to the removal of funds available for Invest to Save schemes, the more realistic profiling of expenditure for capital schemes and some year-end slippage resulting from project delays in some planned schemes.

2. Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	2017/18 Indicator £m	2017/18 Actual £m
CFR b/fwd	609.8	509.8
Underlying Need to Borrow	6.2	17.9
Underlying Need to Borrow - Invest to Save	78.3	13.6
Total CFR C/fwd	694.3	541.2

3. Indicator 3: Actuals and Estimates of the Ratio of Financing Costs to Net Revenue Budget

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

The final position for this indicator, 3.7% is a result of the MRP offset being greater than previously forecast due to 'saving' proposals identified in the 2018/19 MTFS being applied earlier as reflected in the updated MRP policy.

Ratio of net financing costs to net revenue stream	2017/18 Indicator	2017/18 Actual
Total Ratio	6.2%	3.7%

4. Indicator 4: Actuals and Estimates of the Incremental Impact of Capital Investment on Council Tax

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

The calculation of this indicator has been done on the basis of the amount of the capital programme that is financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget for the 2017/18 MTFS (approved in 9 March 2016). The revenue costs are divided by the estimated Council Tax base for the year, and performance is shown in the table below.

Incremental impact on capital investment decisions on Council Tax	2017/18 Indicator	2017/18 Actual
Total Incremental Impact	£13.49	£(158.97)

The incremental impact, £158.97, is a result of the MRP offset being greater than previously forecast due to 'saving' proposals identified in the 2018/19 MTFS being applied earlier as reflected in the updated MRP policy.

5. Indicator 5: Proportion of Gross Debt to the Capital Financing Requirement (CFR)

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2016/17) plus the estimates of any additional capital financing requirement for the current (2017/18) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	2017/18 Indicator	2017/18 Actual
	£m	£m
CFR	694.3	541.2
Gross Debt (inc PFI & Leases)	613.2	454.7
% of Gross Debt to CFR	88.3%	84.0%

This indicator shows that the Council maintained an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement (CFR)), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used. This strategy was prudent as investment returns were low and counterparty risk was still an issue that needed to be considered.

6. Indicator 6: The Operational Boundary

The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

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

Operational Boundary	2017/18 Indicator £m	2017/18 Actual £m
Borrowing	774.3	419.6
Other Liabilities (PFI & Leases)	36.7	35.1
Total Operational Boundary	811.0	454.7

7. Indicator 7: The Authorised Limit

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

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

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

Authorised Limit	2017/18 Indicator £m	2017/18 Actual £m
Borrowing	877.4	419.6
Other Liabilities (PFI & Leases)	36.7	35.1
Total Authorised Limit	914.1	454.7

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year. The actual position is lower than the indicator as the Council does not currently anticipate borrowing in advance of need due to the additional cost of holding the funds until required.

8. Indicator 8: Fixed Interest rate exposure

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2017/18	2017/18
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	Indicator £m	Actual £m
Upper Limit	877.4	419.6
% of fixed interest rate exposure	100%	100%

9. Indicator 9: Variable interest rate exposure

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

Upper limit for variable rate exposure	2017/18 Indicator £m	2017/18 Actual £m
Upper Limit	219.3	0.0
% of variable interest rate exposure	25%	0%

The indicator is zero due to the borrowing strategy of borrowing only at a fixed interest rate in an economic climate of volatile interest rates. Borrowing at fixed interest rates provides budget certainty for the Council.

10. Indicator 10: Maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken is £419.6m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing	Actual Borrowing £m
Under 12 months*	40%	9%	39.5
1 – 2 years	40%	11%	45.5
2 – 5 years	80%	4%	16.6
5 – 10 years	80%	4%	15.7
Over 10 years	100%	72%	302.2
Total Borrowing			419.6

* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 24-36 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.

11. Indicator 11: Total Investments for periods longer than 364 days

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

This indicator reflects the Council's current lending policy of keeping investments short term for liquidity purposes. The Council has used its cash balances as an alternative to new borrowing and does not have the available cash balances to invest for long periods.

	2017/18 Indicator £m	2017/18 Actual £m

Principal sums invested >364 days	10.0	0.0
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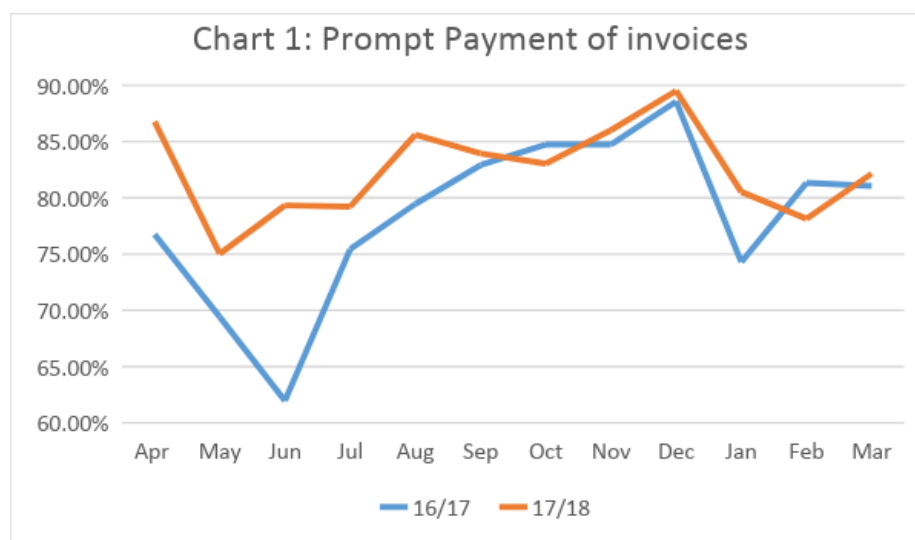
The indicator was set at £10m to allow for the accounting treatment of the Local Authority Mortgage Scheme (LAMS). At present the Council has £1m deposited in the LAMS scheme with Lloyds TSB and this is treated as capital expenditure, as a loan to a third party, (see section

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Performance Monitoring

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

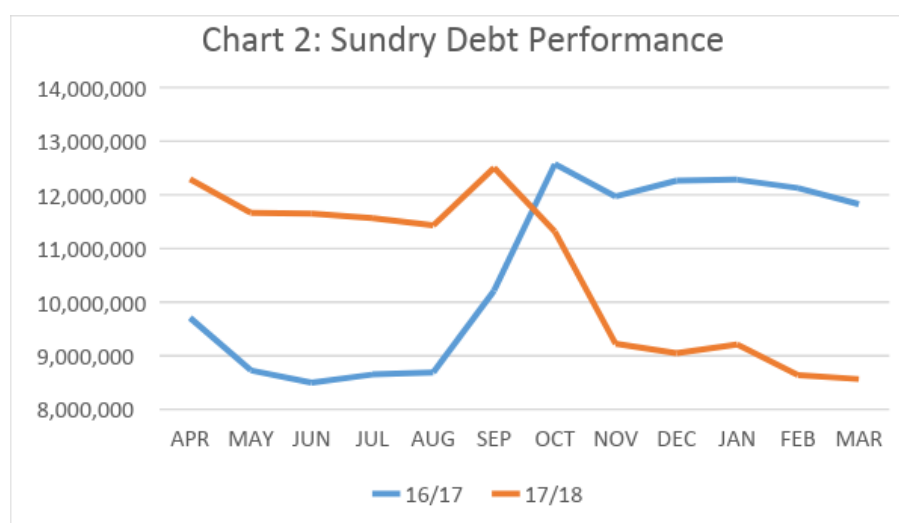
1.1. The cumulative position on prompt payment of invoices as at 31 March 2018 (the second full year of the Agresso finance system) was 82.45%, which is above the previous year's performance of 78.3%. Business processes are being continually reviewed and challenged in addition to improved performance and compliance through the use of SourceDogg (the new eProcurement system). This will further support improved performance in 2018/19. The performance for 2017/18 is shown alongside the equivalent 2016/17 figures in Chart 1.



1.2. During 2017/18 67,662 invoices were paid, of which 55,785 were paid within 30 days.

2. Sundry Debt Performance

2.1. The total outstanding Sundry Debt in excess of 6 months old (as at 31 March 2018) was £8.6m in total and is set out in Chart 2 (alongside comparative figures for 2016/17). Of this £8.6m figure, a total of 4.9m (57%) was in respect of the NHS/CCG debt.



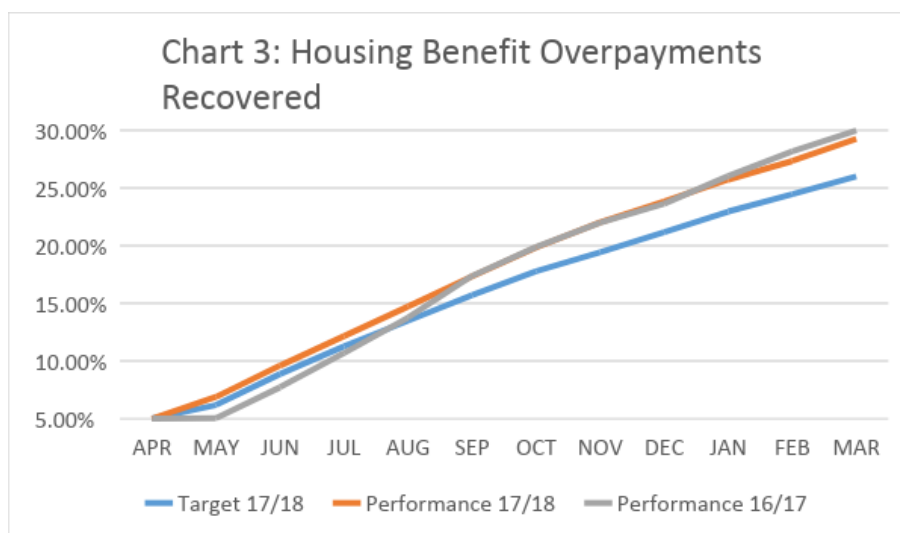
2.2. The top 20 debts owed to the Council at 31/03/18 totalled £4.4m, of which £2.0m was NHS/CCG. Of the £4.4m outstanding, £2.9m was less than a month old. A review of the end-to-end Sundry Debt recovery process has been undertaken and a new Accounts Receivable strategy and policy

have been developed. Key aspects of these include closer working between services and the AR team, Budget Holder accountability for debts, earlier intervention and more robust recovery action (i.e. legal action and use of enforcement agents), as well as clearer escalation processes and more timely write-offs. In addition, throughout 2017/18, finance staff have been engaged with CCG counterparts to address their outstanding debt. This is ongoing and a working group with key NHS partners is meeting in May to review and verify current data, and to address outstanding historic issues.

- 2.3. During 2017/18 a total of £56.9m was raised, whilst a total of £56.2m was collected (across all years of debt). In addition an aged debt gain share project has been undertaken over the last 16 months, looking at very historic debt which had 100% write-off provision against it. At the end of March 2018, a total of £0.142m had been collected with a further £0.028m on arrangement. An extension of this gain share project is currently being discussed which proposes to look at more recent debts.

3. Housing Benefit Overpayments

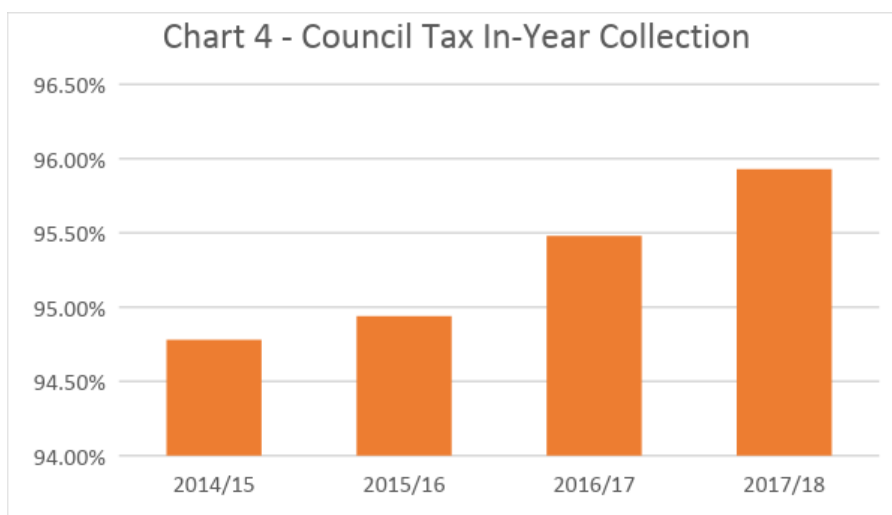
- 3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2017/18 (and the 2016/17 figures).



- 3.2. Housing benefit overpayment collection as at the 31 March 2018 was 29.25% which is above the target of 26.0% but 0.76% lower than the figure for March 2017 (30.01%). The level of new debt raised has increased by £0.6m (15%), but recovered debt has also increased by £0.340m (11%). Identification of overpayments is being assisted by data matching with HMRC records to identify discrepancies in declared earnings. This is likely to give a short term increase in overpayments, but a longer term decrease as claims will be calculated on more accurate and up to date information. Most overpayments identified this way will attract 40% subsidy from central government in addition to any amounts actually recovered. Improvements have been made to the processes of the recovery of debt from DWP benefits, as well as increases in the number of attachments to earnings being applied. A fresh review of older debt is planned in 2018 with the aim of maximising the impact of these improvements.

4. Council Tax and Non Domestic Rates Collection

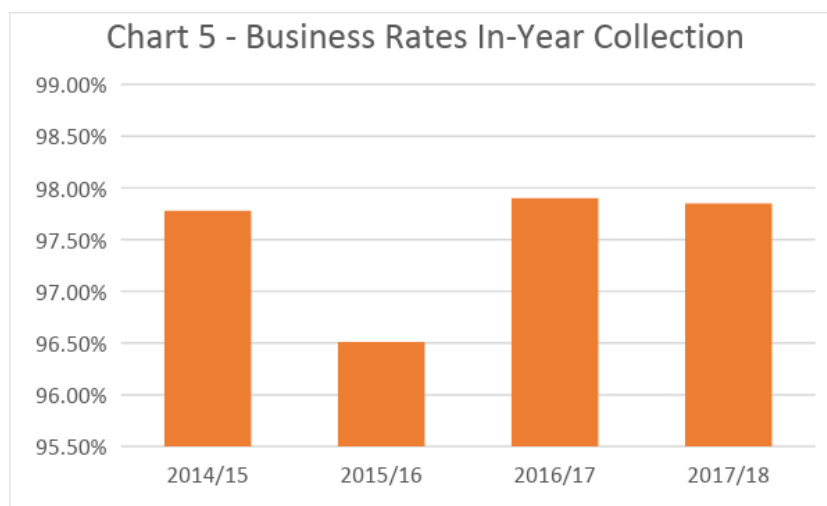
- 4.1. Chart 4 shows the performance for the collection of Council Tax over the last four years. In-year council tax collection at 31 March 2018 was 95.93%, which is 0.45% more than the amount collected by this stage in 2016/17.



4.2. The administration of the council's local Council Tax Support Scheme remains challenging and continues to impact overall council tax collected in the year. The continuing use of additional resources recruited into the team during 2016 have once again enhanced the increased performance in this area.

4.3. Improvements were also seen in the amount of Council Tax arrears collected with 16.60% achieved against a target of 14.31%. The arrears performance has benefited from more stringent recovery action being implemented during 2017, including an expanded portfolio of enforcement agents being utilised.

4.4. Chart 5 shows the performance for the collection of Non Domestic Rates over the last 4 years. To date, the in-year collection of Non Domestic Rates as at 31 March 2018 was 97.85%, which is 0.05% above the target set but a slight decrease of 0.05% compared with 2016/17.



4.5. Temporary additional resources employed in the business rates team in addition to targeted work on the debt lists and the continuing recovery action through enforcement agents, supported the achievement of the collection target. Business rates collection continues to remain challenging due to increasing use of avoidance tactics.

- 4.6. During 2017/18 the business rates team also implemented the three new discretionary schemes announced in the Spring Budget which benefited small business, public houses and those rate payers most impacted by the 2017 revaluation.
- 4.7. In terms of Non Domestic rates arrears, the amount achieved was 42.13% against a target of 30.00%.
- 4.8. In total, as a result of all four targets for Council Tax and Non Domestic Rates being exceeded, income received into the respective collection funds has been £1.3m higher than anticipated.

5. Write-off of Historic Debts

- 5.1. During 2017/18, a significant exercise was undertaken to write-off historic, uncollectable debts in relation to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt). The aggregate total value of debts written off over £10,000 was £4.6m. A further £1.9m was written off for debts under £10,000. In terms of financial context for these figures, it should be noted that the total write-off for each of these types of debt was less than 1% of the total raised (i.e. the amount expected to be received).
- 5.2. All cases requested for write-off followed a lengthy process to recover the outstanding money, sometimes dating back many years. The debts had been fully provided for in the council's debt provisions and as a result, there was no adverse impact on the Council's revenue position as a result of this write-off exercise. Writing off debt is standard practice and recommended as part of good budget management, and as such, future write-off exercises are now being proposed on a quarterly basis.

AUDIT COMMITTEE	AGENDA ITEM No. 8
16 JULY 2018	PUBLIC REPORT

Report of:	Peter Carpenter - Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Acting Director of Corporate Resources	Tel. 384564

AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA260)

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter - Acting Director of Corporate Resources	Deadline date:
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive and approve the "Audit Results Report - (ISA260) for the year ended 31 March 2018" from Ernst & Young (EY), the Council's external auditors. 2. Receive and approve the 2017/18 Management Representation Letter. 3. Receive and approve the audited Statement of Accounts 2017/18. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is for Audit Committee to:

- Receive and note "Audit Results Report - (ISA260) for the year ended 31 March 2018" from Ernst & Young (EY) on behalf of the Council.
- To receive and approve the 2017/18 Management Representation Letter
- To receive and approve the audited Statement of Accounts 2017/18.

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

2.2.1.16 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

2.2.1.17 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

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

Statement of Accounts 2017/178

- 4.1 The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the publication of the draft Statement of Accounts ahead of the statutory deadline, and also through the completion of a successful external audit process. 2017/18 is the first year where the production and audit of the accounts must comply with tighter statutory deadlines introduced by the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2016/17 Code of Practice (the Code) and are followed in the preparation of the 2016/17 Statement of Accounts.
- 4.3 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit Committee.
- 4.4 This is in accordance with the Committees Terms of Reference – 2.2.1.16 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.5 The Accounts must be signed and certified by 31 May 2018 by the Council's Section 151 officer / Chief Finance Officer (Acting Director of Corporate Resources), in accordance with the Accounts and Audit Regulations 2015. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2018.
- 4.6 Once the audit has concluded, the Council's Section 151 officer must recertify the accounts and the Audit Committee is required to approve the Accounts no later than 31 July 2018 following, and in the knowledge of, the audit findings (**Appendix 2**).
- 4.7 The draft Statement of Accounts was shared with Audit Committee before publication on 29 May 2018 and has subsequently been the subject of external audit by EY.
- 4.8 Following the external audit, some minor amendments have been made to the draft Statement of Accounts.
- 4.9 The final Statement of Accounts for 2017/18 is attached in **Appendix 1** for formal approval by the Audit Committee.
- 4.10 At the time of reports publication to Committee, EY are finalising the audit of Statement of Accounts with some review areas to be completed. If there are further updates required to the version distributed with this agenda, then the revised Statement of Accounts and a schedule of updates will be tabled at the meeting.
- 4.11 There are a number of sections within the Statement of Accounts as follows:
- a) Narrative Report** – provides a fair, balanced and understandable guide
 - b) Statement of Responsibilities** - sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
 - c) Comprehensive Income and Expenditure Statement** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices,

rather than the amount to be funded from taxation

- c) **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council
- c) **Balance Sheet** - shows the value of the assets and liabilities recognised by the Council as at 31 March 2018
- c) **Cash Flow Statement** - summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2017/18
- c) **Notes to the Financial Statements** - the various statements are supported by technical notes
- c) **The Collection Fund & Notes** - shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates
- c) **Statement of Accounting Policies** - outlines the accounting policies adopted by the Council
- c) **Annual Governance Statement** - identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 31 July 2018, following its approval

2017/18 Report to Those Charged with Governance

- 4.12 The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260.
- 4.13 The ISA260 report for 2017/18 from Ernst & Young (EY), the Council's external auditors is attached as **Appendix 2**.
- 4.14 There are a number of sections within the ISA260 report as follows:
 - a) **Executive summary** – provides a summary of the Audit.
 - b) **Understanding Financial Statements** - provides some commentary on the key components of income and expenditure.
 - c) **Areas of Audit Focus** - Notes the risks identified in the Audit Plan, the audit procedures performed in relation to them and the results of the audit work performed. There are a mix of types of risks identified, from the general risks such as fraud and management override of controls which any organisation would face and are not specific to the Council, and as such are audited for all councils, and those more specific to the Council, such as the property valuation assumptions and methodologies used by the Council's external valuers, and the Council's assessment of the boundary with regards to Group Accounts. No material issues were found during the course of the audit.
 - d) **Audit Report** – this is a draft copy of the Independent Auditors' Report to the Members of Peterborough City Council which is included in the Statement of Accounts and will be signed following the completion of the audit.
 - e) **Audit differences** – this section notes that EY found no material misstatements during the audit.
 - f) **Value for money** - EY give an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. However they highlight risks around the Council's long term financial resilience due to national and local pressures. The Council is continuing to work to review its financial strategy and notes that the size of the budget gap presents a significant challenge. Work is ongoing to ensure that future year pressures have been fully identified, as well as identifying actions for Members to consider to close what is a considerable gap, particularly in the next

financial year.

- g) Other Reporting Issues** - includes information on the work performed on the Annual Governance Statement and Whole of Government Accounts (WGA). Due to delays in the issuing of national guidance to auditors, work on the WGA is still be completed. Any matters that arise will be reported to Audit Committee.
- h) Assessment of Control Environment** - EY report that they only test internal controls to the extent necessary for them to complete their audit and that they have not identified any significant deficiencies in them.
- i) Data Analytics** - explains the use of data analytics tools to improve the audit.
- j) Independence** - confirmation that there are no changes in EYs assessment of their independence. Includes information on Audit fees.
- k) Appendix 2 (Appendix A – Audit approach update)** – Summarises the approach to the audit of the material items in the balance sheet and any changes to this approach from the prior year audit.
- l) Appendix 2 (Appendix B – Summary of communications during 2017/18)** – Outlines the key communications between EY and the council during 2017/18.
- m) Appendix 2 (Appendix C – Required communications with the Audit Committee)** – Outlines the communications that the auditors must provide to Audit Committee and method of communication.
- n) Appendix 2 (Appendix B - Request for a Management representation letter)**- a draft copy of the letter of representation for the Council’s S151 officer and Chair of Audit Committee to sign (**Appendix 3** to this report).

- 4.15 Page 5 of the report lists the audit work still outstanding. There are no concerns regarding completing the outstanding items which are under the control of the Council and EY. There are two items which are due to external factors, and one of these relate to delays in guidance being issued by Government. Audit work on Housing Benefit transactions was also completed later than planned due to delayed receipt of government instructions. This is disappointing given the hard work from the Council and its auditors to comply with the new timescales.

Management Letter of Representation

- 4.16 The Acting Director of Corporate Resources, as Chief Finance Officer (S151), is required to make representations on behalf of the Council in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit Committee. The draft letter is attached in **Appendix 3** for review by Audit Committee.

5. CONSULTATION

- 5.1 Between 30 May 2018 and 10 July 2018, the Council’s accounts have been subject to a statutory period for the exercise of public rights, where any person may inspect and take copies of the accounts and certain related documents. During this period Peterborough City Council electors have been able to ask the external auditor questions on the accounts, and are able to object to the accounts. To date, none of these rights were exercised.
- 5.2 A clearance meeting was held on 21 June 2018 where EY outlined the key findings of the audit to the Acting Director of Corporate Resources, as part of his role as the Council’s S151 Officer. The draft ISA260 report was discussed with the Council’s finance team during the period 21 June to 4 July 2018.
- 5.3 A training event was held on 13 June 2018 for Audit Committee. Training was provided on the Statement of Accounts and there was an opportunity to ask questions on the accounts.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 To receive and note the “Peterborough City Council - Audit Results Report” (ISA260) from EY on

behalf of the Council.

6.2 To receive and approve the 2017/18 Management Representation Letter.

6.3 To receive and approve the audited 2017/18 Statement of Accounts.

7. REASON FOR THE RECOMMENDATION

7.1 Paragraph 2.2.16 of the Constitution requires the Audit Committee to “review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.”

7.2 It is a statutory requirement under the Accounts and Audit Regulations 2015.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in compliance with the Accounts and Audit Regulations 2015. The only alternative option would be non-compliance with statute which is rejected.

9. IMPLICATIONS

Financial Implications

9.1 See main report.

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 & Audit Regulations 2015
Council Constitution

11. APPENDICES

- 11.1
- Appendix 1 – Statement of Accounts 2017/18
 - Appendix 2 – Peterborough City Council - Audit Results Report (ISA260)
 - Appendix 3 – Management representation letter

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2017/18



Peterborough City Council

Statement of Accounts 2017/18

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Narrative Report

1 The Council's Vision and Strategic Priorities

The Council's vision is for a bigger and better Peterborough that grows the right way through truly sustainable development and growth.

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

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

2 The Statement of Accounts

The Statement of Accounts has been prepared in accordance with statutory requirements, detailed in:

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

It brings together the major financial statements for the financial year 2017/18. The statements and the notes that accompany them give a full and clear picture of the financial position of Peterborough City Council.

The sections are:

- *Narrative Report* – An overview of the Council's financial and operational performance, main objectives, key risks and strategies for future service delivery.
- *Statement of Responsibilities* – The responsibilities of the Council and its Chief Financial Officer in respect of the Statement of Accounts.
- *Comprehensive Income and Expenditure Statement* – This shows the accounting cost in the year of providing services. It is prepared in accordance with generally accepted accounting practices. This is different from the amount to be funded from taxation.
- *Movement in Reserves Statement* – The movement in the year on the different reserves held by the Council.

- *Balance Sheet* – The value of the assets and liabilities recognised by the Council at 31 March 2018.
- *Cash Flow Statement* – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties.
- *Notes to the Financial Accounts* - Statements are supported by technical notes.
- *The Collection Fund and Notes* – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the government.
- *Statement of Accounting Policies* – Outlines the significant accounting policies adopted by the Council.

3 National and Local Context

Peterborough City Council is delivering services in the most challenging financial times that local government has ever faced.

Peterborough is one of the fastest growing cities in the UK. This unprecedented growth in population brings with it substantial demands for Council services.

Nationally local government is experiencing a growing demand for services, together with an increase in the complexity of the care and support required. At the same time local government has been faced with a sharp reduction to its core funding. According to the Local Government Association councils, which have already experienced unprecedented funding cuts since 2010, will see their central government funding further cut by £2.7bn between 2018/19 and 2019/20, a 54% reduction.

Prior to the General Election of June 2017, it was the government's intention to make changes to the way local

government is funded, by introducing a system of 100% business rates retention and a new fairer funding mechanism. Since then the proposal for a new business rates retention scheme has been reduced to 75% and The Ministry of Housing Communities and Local Government (MHCLG) has started to consult on the methodology for a fairer funding allocation. The Council has made representation on working groups for this, alongside other Local Government colleagues and has provided comprehensive responses to the consultations to date.

The change to the model used for future funding allocations creates uncertainty for the Council. At this stage there is no information available to enable the Council to project future funding levels. The Council will closely monitor this and represent residents and businesses of the City by contributing towards the consultation process.

4 Managing Organisational Performance

The Council's priorities are embedded within the budget-setting process and alongside these the Council has identified five fundamental areas, which will be developed, to ensure the delivery of a sustainable budget:

- Expanding commercial income
- Continuing to innovate and develop efficiencies
- Mitigating and controlling service demand pressures
- Continuing to seek to maximise funding
- Reviewing discretionary services expenditure

The Council continues to have robust arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to ensure it delivers value for money services to residents.

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and from November 2017 is considered by Cabinet on a monthly basis.

Budget risks are reported to the CMT to ensure swift management action is taken to mitigate them. Monitoring enables CMT to make informed decisions which ensures planned and sustainable outcomes.

During 2017/18 the Chief Financial Officer (Section 151) led a full financial resilience review of the Council's finances, with officers from the finance function fully scrutinising departmental budgets and balances. As part of this work, and through regular budget monitoring, budget pressures identified were factored into budget proposals and incorporated in the budget planning process for 2018/19 and beyond.

All budget proposals and financial plans are scrutinised by CMT, the Cabinet Policy Forum and a Cross-Party Budget Working Group. They are then considered by Cabinet, Joint Budget Scrutiny Committee and prior to being recommended to Council for final approval.

The Council has recently adopted an enhanced risk management approach which is linked to the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement which is included as an annex to the Statement of Accounts.

An officer led Capital Review Group has been established during 2017/18. This group has the responsibility of reviewing all aspects of the Council's Capital Programme, including reviewing

the progress of projects, monitoring capital receipts and scrutinising new proposals before recommending to CMT.

The Council's Treasury Management Strategy (TMS) contains the Council's Prudential Indicators, which are set each year as part of the budget setting process. These indicators are designed to assist the members' overview and confirm the cost of capital programme is sustainable. The Capital programme and treasury activities are monitored throughout the year, with performance against the indicators being reported to members twice a year. These Indicators are included in the Council's outturn report to Cabinet.

Other key performance indicators (KPI) include the Council's payment and debt collection performance, and are also contained in the outturn report to Cabinet. The following are a sample of the 2017/18 KPI's reported:

- Prompt payment of invoices to suppliers – 82.45% (78.3%, 2016/17) of invoices are paid promptly (within 30 days).
- Speed of collecting debtor accounts – a total of £56.9m of invoices was raised with a total of £56.2m collected (across all sundry debt)
- The collection of council tax and business rates. – Council tax collection rate for was 95.93% (95.48%, 2016/17) and business rates collection rate was 95.85% (97.90%, 2016/17)
- Financing costs as a proportion of the revenue budget- 3.7%

5 Revenue Position

The final revenue outturn is a surplus of £6.9m. This is primarily a result of underspends within Growth and Regeneration and the

Resources directorates as a result of efficiencies and enhanced spending controls offset by spending pressures in People and Communities directorate.

The position reflects the continued focus on managing within budgets set as part of the budget setting process and improving efficiencies further. The following table shows how directorates performed against budget in 2017/18. Further detail is provided in the outturn report to be presented to Cabinet on 4 June 2018.

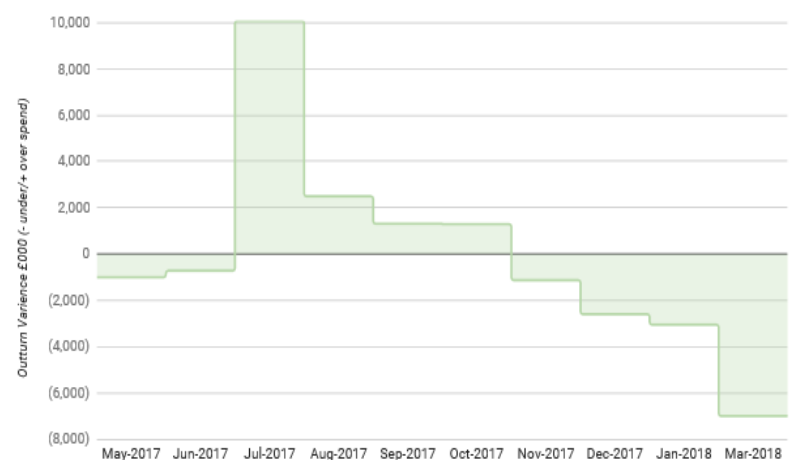
Net Revenue Expenditure	Revised Budget £000	Actual £000	Cont to Reserve £000	Variance £000
Chief Executive	1,816	1,426	20	(370)
Governance	4,627	4,499	39	(89)
Growth & Regeneration	25,585	22,196	344	(3,045)
People & Communities	75,055	71,210	4,561	716
Public Health	207	1	-	(206)
Resources	40,945	36,386	559	(4,000)
Total Council Expenditure	148,235	135,718	5,523	(6,994)
Financing Adjustment				140
Revised Underspend				(6,854)
Transfer to Capacity Building Reserve				6,854

The 2017/18 surplus has been transferred to the Capacity Building Reserve. The changes to the reserves are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS) (see page 19 and Note 17, page 49).

The revenue cost of financing the Council's borrowing totalled £14.2m in the year ending 31 March 2018, compared to £13.7m in the year ending 31 March 2017 (see Note 28, page 59). The

Council continues to be able to finance its borrowing requirements at advantageous rates.

Forecast Month by Month Outturn Variance for 2017/18



The previous chart illustrates how the forecast outturn fluctuated through the year as more detailed information on performance became available. This demonstrates the results of actions taken by management to reduce and managed the budget pressures occurring in year following earlier indications of a forecast outturn overspend. Successful mitigating actions resulted in the surplus position of £6.9m.

In July 2017 the forecast overspend reached £10m which was largely the result of updated information in respect of income to be received from the sale of Council assets. Continued monitoring meant that as the year progressed, and further action was taken, the Council was able to place greater certainty on

receipts from capital asset sales and the Council was able to update its assumptions on managing the forecast overspend.

Reserves Balances

As at 31 March 2018, the balance on the General Fund has not changed from previous years, remaining at £6.0m. This is in line with the approved Medium Term Financial Strategy (MTFS).

Schools balances totalled £5.6m at 31 March 2018, compared with £5.4m at 31 March 2017. This increase is a result of local school decisions which reflect planned future use to fund projects such as a restructure or implement a cost- saving idea and to help keep pace with increasing costs and reduced funding. The Council has a mechanism for reviewing the levels of reserves balances for schools, and allows up to 8% of their delegated budget share to be held.

During the year, the Council transferred a total of £7.7m to the Capacity Building Reserve. Partly from the £6.9m departmental underspends and £0.8m release of earmarked reserves no longer required. This reserve will be used for future service transformation of the Council which will be required to meet the decrease in future funding levels.

Departmental reserves increase of £1.3m relates to grant funding which has been received and not fully expensed throughout the year.

Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis

The Statement of Accounts presents the Council's financial performance in two different formats:

- The Comprehensive Income and Expenditure Statement (CIES), shows revenue expenditure; income; and net expenditure for 2017/18 under proper accounting practices (see page 18).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2017/18 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 15, page 39).

Both EFA and CIES include comparative figures for 2016/17. The statements use the Council's management structure for reporting net expenditure.

The Council's reported outturn position, outlined above, does not directly correlate directly with the EFA. This is due to the way movements in earmarked reserves and schools balances are reported.

6 Capital and Treasury Position

The following table shows capital budgets as agreed for the 2017/18 MTFS of £219.3m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £324.7m. The final revised budget, as reported at 31 January 2018, was £92.8m. This compares to the final expenditure for each directorates and how this investment is planned to be financed £80.3m.

Capital Expenditure	2017/18 MTFS Budget £000	Revised Budget Apr 2017 £000	Revised Budget Jan 18 £000	Actual £000
Governance	-	49	-	-
Growth & Regeneration	37,064	44,704	32,000	28,662
People & Communities	65,916	77,783	36,549	32,921
Resources	23,378	32,575	8,954	5,086
Invest to Save	92,954	169,547	15,288	13,584
TOTAL	219,312	324,658	92,791	80,253
Financed by:				
Grants & Contributions	44,259	50,297	39,773	36,531
Borrowing	174,111	273,277	51,935	42,639
Capital Receipts (repayment of loans)	942	1,083	1,083	1,083
TOTAL	219,312	324,658	92,791	80,253

Major projects which progressed during 2017/18 and included in the expenditure figures in the previous table are:

- Nene Park Academy expansion - £4.0m
- Jack Hunt Expansion - £3.0m
- Ormiston Bushfields Academy expansion - £2.6m
- Clare Lodge Phase 6 - £3.4m
- Street Lighting LED project - £6m
- Housing Joint Venture (Purchase of Midland Rd) - £2.9m

Capital expenditure has been financed by grants, third party contributions and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25 pages 33 and 59.

The Council has a proactive approach to investing and regenerating the City, with examples for 2017/18 including:

- The process to regenerate a large area of the city, known as Fletton Quays, with the Peterborough Investment Partnership (PIP). This scheme has continued to progress during 2017/18 with the Council on target to move in to its new offices, Sandmartin House, from July 2018. Other businesses and housing on site are under construction with some homes already reserved for sale. Fletton Quays is now known as a flagship development for the city.
- In October 2016, the Council announced that it will play the lead role in the comprehensive redevelopment of North Westgate. The Council will invest up to £15m of funding over the next three years to buy land and property in the area. The plan has progressed throughout the year with designs for the scheme being developed, as well as property acquisitions within the development area taking place.
- The Council entered in to a Partnership with Cross Keys Homes Developments Ltd to create Medesham Homes LLP. This partnership has been established with the purpose of delivering a housing strategy for the City, including affordable and temporary housing. In January 2018, Cabinet approved up to £4m of funding to Medesham Homes LLP, to secure the opportunity to purchase 29 units of accommodation at Midland Road. These properties will be exclusively leased to the Council and forms part of the strategy to prevent homelessness.
- Peterborough Highway Services has progressed the Bourges Boulevard phase two scheme, which aims to improve the appearance, safety and traffic flow around the City Centre. The £9.2m grant funded scheme has seen

areas of lower Bridge Street repaved, new seating and cycle routes installed as well as three pieces of public art being displayed. The Queensgate footbridge has been fully refurbished as part of these works. This scheme has improved the public realm across the city centre and the final stage, which includes improvements to the Rivergate Gyratory is set to complete in August 2018, finalising the scheme.

Borrowing and Investments

The Treasury Management Strategy (TMS), approved as part of the 2017/18 MTFS at Council in March 2017, details the framework within which the Council's capital investment plans are to be delivered.

The following table shows that at 31 March 2018 the Council had net borrowings including cash and outstanding interest of £415.2m (£385.0m in 2016/17).

2016/17		2017/18	
£m		£m	
39.6	Short Term Borrowing	43.1	
359.0	Long Term Borrowing	380.1	
(13.6)	Investments	(8.0)	
385.0	Net Borrowing	415.2	

The Council's TMS outlines the Council's approach to borrowing. The main sources of borrowing for the Council are:

- the Public Works Loan Board (PLWB)
- other Local Authorities

The Council invested in money market funds in 2017/18. This has enhanced the management of treasury risk by diversifying the investment portfolio and increasing investment returns.

The Council's cash flow position is closely monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £42.7m, actual gross borrowing increased by £24.6m (net £30.1m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

7 Council Performance 2017/18

Key achievements over the past 12 months include:

- Peterborough is one of the fastest growing areas in the country. Between 2001 and 2011 the population increased by 17.7% to 183,600. In 2016 the city's population was estimated at 198,100.
- Peterborough was listed as experiencing the highest levels of housing growth in the 2017 Centres for Cities report 'Cities Outlook 2017' report.
- Unemployment levels fell to 1,775 (1.4%), over the same period the national rate went up from 1.8% to 1.9%.
- Opportunity Peterborough assisted 14 businesses moving into the city, creating 1,903 jobs.
- The Council maintained 578 miles of road, over 350 bridge structures, 24,000 street lighting columns, 719 miles of footpaths and 155 miles of off-road cycle ways.
- 6,653 potholes repaired throughout 2017/18.

- 88% of City pupils attend a school rated good or outstanding by Ofsted.
- A new innovative approach to keeping children and families safe, the Family Safeguarding Service, will be piloted in Peterborough thanks to a successful bid for £2.6m from the Department for Education.
- Managed the Energy Recovery Facility, which diverts up to 99%, 85,000 tonnes annually, of non-recyclable domestic waste from landfill.
- Launched the SaferPeterborough Prevention and Enforcement Service and established two Public Space Protection Orders to combat anti-social behaviour in the city.
- 7,000 homes have taken up the Peterborough Energy Tariff, saving £1.5m in total, an annual household saving of £122.
- The Council, as part of a Joint Venture, has led the comprehensive £120m Fletton Quays redevelopment project. This includes investment in an Arts Hub on site, and a 160 bed hotel, which the Council has agreed a lending facility of £15m to the developer to support the construction.
- The 2017 Perkins Great Eastern Run, arranged by Peterborough City Council, had the highest turnout of runners in its 34 year history.

8 Changes to Service Delivery and Operations

The Council is continuing to build on closer working partnerships with neighbouring councils. The role of Corporate Director of People and Communities has been shared with Cambridgeshire County Council since October 2016. In June 2017 this arrangement was made permanent, with the addition of a further six management posts within the department becoming shared.

This joint approach is strengthening services for children, families and adults in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the county. These new arrangements demonstrate the continued approach by both Councils to find ways to save money in the face of austerity, an approach which will continue to grow with pursuit of further shared services and integration.

Throughout the year there has been a number of changes in key personnel. The Chief Financial Officer (Section 151), formally known as the Corporate: Director Resources resigned with effect from 31 July 2017. This role was then filled by an Interim, Marion Kelly, from 1 August 2017 to 29 March 2018. The post is now being covered by Peter Carpenter, in an internal acting up arrangement.

The Director of Governance was seconded to act as Monitoring Officer for Cambridgeshire & Peterborough Combined Authority (CPCA) part time until 30 June 2017 then full time until 27 November 2017 at which point they left their substantive post to take up the CPCA role permanently. From 1 July 2017 the Council's Monitoring Officer role has been covered by two successive interims. Further information on the changes in key personnel can be found in Note 8 , page 30.

Throughout 2017/18 the Council continued to face unprecedented demand for housing. The Council has focussed its attention on preventing families from becoming homeless and the development of housing solutions. In July 2017, following extensive refurbishment works, the Council fully utilised 53 units at Elizabeth Court. This facility is being leased by the Council, with management provided by Cross Keys Homes. These facilities have enabled the Council to house people currently staying in temporary accommodation across the City, including

those previously in bed and breakfast hotels. The Council has continued to pursue an increase in housing provision with 29 units at Midland Road and 43 units at Bretton Court being identified. These developments have meant that the Council has been able to support families and prevent them from becoming homeless, significantly reducing pressure on the Council's finances.

The Adolescent and Children's Trust (TACT) took over the management of the Council's fostering and adoption services from April 2017. TACT is the UK's largest dedicated fostering and adoption charity. The new TACT Peterborough Permanency service will reduce reliance on higher cost independent fostering and residential placements. It will provide improved training and 24/7 support for Peterborough foster carers.

The Council is adopting an agile approach to the way it works. This approach is supported through the adoption of new software applications and equipment, associated training into maximising efficiency gains and use of a modern working environment which facilitates new, agile working styles at Sand Martin House, Fletton Quays. The first group of staff are set to move to the new premises in July 2018.

In keeping with using technology to realise benefits the Council closed its cash offices in March 2018, with all payment options being offered online.

9 Strategy for Future Sustainability

The Council continues to face significant challenges in the amount of funding available and increased demand for services.

¹ <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/>

The Council's MTFS for 2018/19 was balanced by the identification of £22.2m of budget reductions, and the use of £4.2m from reserves.

A copy of the Council's MTFS for 2018/19-2020/21 can be found via the Council's website¹. A summary of the budget changes agreed at Council on 7 March 2018 and the financial challenge, which still remains, is outlined in the following table. The Council will need to identify budget reductions totalling £19.3m, by 2020/21 to set a balanced budget.

Summary Budget Position	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap without the Use of Reserves	19,037	21,246	28,853
2018/19- Phase One			
Pressures	4,857	6,642	10,883
Budget Reductions and Additional Income	(8,194)	(6,528)	(4,526)
Revised Budget Gap	15,700	21,360	35,210
2018/19- Phase Two			
Pressures	2,494	3,691	3,779
Budget Reductions and Additional Income	(13,963)	(12,339)	(19,673)
Revised Budget Gap	4,231	12,712	19,316
One-off use of Reserves	(4,231)		
Final Budget Gap	-	12,712	19,316

The Council has taken the decision to levy a 3% Adult Social Care precept for 2018/19, along with 97% of other councils with social care responsibility. This income will be used in

conjunction with the additional £2.2m (2018/19 allocation) of adult social care funding announced in 2017, to relieve pressure on Adult Social Care budgets and to protect vulnerable adults in the community. The Council also increased general council tax by 2.99%, following a change to the referendum limit announced as part of the 2018/19 Provisional Local Government Finance settlement in December 2017.

Efficiencies and one-off budget reductions has meant that the Council has been able to make minimal reductions to service levels in its 2018/19 MTFS. This has been possible through sound strategic financial planning and the hard work of Council staff, who are committed to work more efficiently and generate additional income as alternatives to reducing levels of service for the City's residents.

Careful financial and performance monitoring will continue throughout 2018/19, with an enhancement to the frequency of reports and the type rigour applied. An April 2018 budget monitoring report is planned for Cabinet on 4 June 2018, to ensure early action is taken to resolve issues and visibility is given to the Council's financial and operational performance. These actions will ensure expenditure remains within budget limits, and saving plans are on track for delivery.

Work has already commenced to address the estimated £12.7m budget gap in 2019/20, which is estimated to rise to £19.3m in 2020/21. The Council is focussing on creating a sustainable budget for the future and as agreed at the Council meeting on 7 March 2018, the budget process will become a rolling process throughout the year with more frequent updated information being reported and consulted on. The first tranche of the budget is set to be launched on 11 June 2018, with further reviews in Autumn and Winter.

The Council is exploring opportunities in the form of shared services with Cambridgeshire County Council (CCC). With the Council aiming to build on past success by sharing further positions within the leadership and management structure, consolidate back office services such as Finance, HR, Business Support, ICT and Legal and Democratic services. The plans also include maximising efficiencies from sharing systems, procurement and premises. It is currently estimated that these opportunities could generate saving of £9.0m by 2020/21, and this target has been incorporated within the current MTFS.

By 2020/21 it is expected that a system of 75% Business Rates retention and a new fairer funding formula will replace the current grants system. It is not currently known what the financial impact will be on Peterborough. However, it is anticipated that there will be increased volatility as the Council will be exposed to a greater proportion of Business Rate cash flows and the impact of valuation appeals. Consultation on the final Fairer Funding methodology is ongoing. It will be essential for the Council to monitor this development and ensure that its particular spending needs are recognised in any new formulae.

10 Risks, Challenges and Mitigating Action

The Council has recently enhanced its Risk Management Board, led by the Director of Growth and Regeneration. The Board challenges and supports risk management across the council and partner organisations.

The most current substantial risks have been identified and considered by the CMT, with reasonable mitigation made where possible, these include:

- Demand Led Services - the Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. The demographics associated with these services will remain under regular review throughout the year.
- Levels of One-off Non-repeatable Savings - the Council has used a number of non-repeatable budget savings and while this provides CMT and Cabinet time to implement fully appraised service strategies, it also defers the impact of reduced funding. To ensure the timely delivery of sustainable savings options the Council has introduced a rolling budget process.
- Savings Delivery - the achievement of a balanced and sustainable budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. The Council is planning a programme of transformation where services will be shared and integrated with Cambridgeshire County Council. A target has been allocated against this activity in the MTFs, and as this transformation is in the early stages, there is a risk attached to the timing of the delivery. Progress against all saving proposals will be monitored as part of the regular budgetary control cycle and reported to CMT and Cabinet accordingly.
- Business Rates, Council Tax and Income Levels - the council heavily relies on income generated from council tax, business rates and other income streams such as parking, planning and other fees and charges. This is dependent on prompt debt collection and accurate forecasting. There is a risk that collection rates could decline or growth assumptions built in to the budget are beyond that actually achieved. However,

finance officers use a detailed approach to forecasting to increase the level of integrity and confidence in figures. Provision are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis.

- Business Rates Retention and Fairer Funding – the uncertainty surrounding the future funding model for the Council presents a financial risk to the available resources the Council has to be able to deliver services. The Council will monitor progress on this closely and input in to the various consultations, to ensure its funding requirements are voiced.
- Capital Receipts and Funding - the Council is currently reliant on maximising the revenue benefit of capital receipts, with £12.7m built in to the 2017/18 budget and £2.9m in 2018/19. If these are not achieved there is a risk to the revenue outturn position.

The Capital programme is partially reliant on developer contributions as well as successful bids for external funding. These funding streams are not guaranteed and could be impacted by a downturn in development or the economy.

The Council monitors the forecasts for sale completions and valuations with extreme caution to ensure the correct value has been accounted for within the MTFs. It also takes a proactive approach in successfully bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG)

11 Summary

The Council continues to provide services that matter to the residents of Peterborough against the challenges of reduced funding and growing service demand. This is being achieved through finding innovative, efficient and effective ways of working, working more closely with neighbouring authorities and partners in the health service, adopting more early intervention and preventative action and seeking value for money from our contracts and future procurement. The Council will endeavour to protect services and avoid drastic cuts. The Council is aspiring to become more self-sufficient through greater levels of commercialisation being applied to all activities it undertakes.

The Council approved the revenue and capital budget requirement for 2018/19 in its MTFS. The budget supported the Council's key priorities and included £22.2m of budget reductions, and the use of £4.2m from the Grant Equalisation reserve. The budget gap in 2019/20 remains at £12.7m, rising to £19.3m in 2020/21. The Council still remains in a difficult financial position, however it will continue to be proactive in making decisions on how it can best deliver services within its financial envelope.

The Council has successfully managed the financial challenges during 2017/18, by being alert to service and budget pressures, and balancing the demands of local circumstances with the financial constraints of the national economic climate. The action taken by Cabinet and CMT has meant that the Council generated a surplus of £6.9m, which increased reserves balances to support the cost of future service transformation.

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

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

Peter Carpenter
Acting Director of Corporate Resources

Independent Auditors' Report to the Members of Peterborough City Council

To be added following conclusion of audit July 2018

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To be added following conclusion of audit July 2018

To be added following conclusion of audit July 2018

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Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2018 was approved at the meeting of the Audit Committee on 16 July 2018.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

David Over

Date:

July 2018

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 18 to 90 present a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Acting Director of Corporate
Resources:

Date:

Peter Carpenter

July 2018

Comprehensive Income and Expenditure Statement (CIES)

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

may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

<i>Restated 2016/17*</i>						2017/18	
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>	Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 22)	Gross Expenditure	Gross Income	Net Expenditure
<i>£000</i>	<i>£000</i>	<i>£000</i>			£000	£000	£000
2,110	(595)	1,515	Chief Executives		2,183	(626)	1,557
5,879	(1,487)	4,392	Governance	4	6,486	(1,779)	4,707
313,127	(218,439)	94,688	People & Communities	1,2, 6	317,759	(226,364)	91,395
111,325	(89,358)	21,967	Resources	3	114,033	(90,122)	23,911
50,121	(12,050)	38,071	Growth & Regeneration		57,696	(13,117)	44,579
11,658	(11,613)	45	Public Health	6	11,371	(11,353)	18
494,220	(333,542)	160,678	Cost of Services		509,528	(343,361)	166,167
3,540	(4,892)	(1,352)	Other Operating Income & Expenditure	9	15,859	(14,726)	1,133
58,667	(7,481)	51,186	Financing & Investment Income & Expenditure	10,11	52,667	(6,481)	46,186
7,155	(168,493)	(161,338)	Taxation & Non-Specific Grant Income & Expenditure	12	2,514	(167,046)	(164,532)
563,582	(514,408)	49,174	(Surplus) / Deficit on Provision of Services	15	580,568	(531,614)	48,954
		(45,908)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(4,425)
		24,828	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			(6,557)
		(21,080)	Other Comprehensive Income & Expenditure				(10,982)
		28,094	Total Comprehensive Income & Expenditure				37,972

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the

statutory adjustments required to return to the amounts chargeable to council tax for the year.

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 16, page 42.

Movement in Reserves during 2016/17 and 2017/18	Note	General Fund Balance	Schools' Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	16	(6,000)	(6,183)	(30,207)	(1,251)	(1,006)	(44,647)	86,138	41,491
Total Comprehensive Income & Expenditure		48,397	777	-	-	-	49,174	(21,080)	28,094
Adjustments between accounting basis & funding basis under regulations		(51,165)	-	-	1,251	(204)	(50,118)	50,118	-
Net Increase / Decrease before Transfers to Earmarked Reserves		(2,768)	777	-	1,251	(204)	(944)	29,038	28,094
Transfers to / (from) Earmarked Reserves		2,768	-	(2,768)	-	-	-	-	-
(Increase) / Decrease in 2016/17		-	777	(2,768)	1,251	(204)	(944)	29,038	28,094
Restated Balance at 31 March 2017 Carried Forward		(6,000)	(5,406)	(32,975)	-	(1,210)	(45,591)	115,176	69,585
Balance at 1 April 2017		(6,000)	(5,406)	(32,975)	-	(1,210)	(45,591)	115,176	69,585
Total Comprehensive Income & Expenditure		49,107	(153)	-	-	-	48,954	(10,982)	37,972
Adjustments between accounting basis & funding basis under regulations		(51,031)	-	-	-	(6)	(51,037)	51,037	-
Net Increase before Transfers to Earmarked Reserves		(1,924)	(153)	-	-	(6)	(2,083)	40,055	37,972
Transfers to / (from) Earmarked Reserves		1,924	-	(1,924)	-	-	-	-	-
(Increase) / Decrease in 2017/18		-	(153)	(1,924)	-	(6)	(2,083)	40,055	37,972
Balance at 31 March 2018 Carried Forward		(6,000)	(5,559)	(34,899)	-	(1,216)	(47,674)	155,231	107,557

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 19, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000	Balance Sheet	Notes	31 March 2018 £000
607,938	Property, Plant & Equipment	18	591,691
30,413	Investment Property	19	21,797
10,141	Intangible Assets	20	8,978
8,927	Long term Debtors	28, 29	7,787
657,419	Long Term Assets		630,253
30	Short Term Investments	28	25
356	Inventories	31	436
61,522	Short Term Debtors	32	83,535
16,427	Cash & Cash Equivalents	29, 40	8,756
244	Current Intangible Asset	33	285
-	Assets Held for Sale	21	80
78,579	Current Assets		93,117
(39,629)	Short Term Borrowing	28	(43,074)
(65,520)	Short Term Creditors	35	(68,997)
(5,621)	Provisions	34	(6,698)
(110,770)	Current Liabilities		(118,769)
(272,287)	Long Term Creditors	7	(277,276)
(203)	Provisions	34	(142)
(358,976)	Long Term Borrowing	28	(380,087)
(35,559)	Other Long Term Liabilities	26, 27, 28, 29	(33,847)
(27,788)	Capital Grants Receipts in Advance	36	(20,806)
(694,813)	Long Term Liabilities		(712,158)
(69,585)	Net (Liabilities) / Assets		(107,557)
(45,591)	Usable Reserves	16	(47,674)
115,176	Unusable Reserves	16	155,231
69,585	Total Reserves		107,557

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are

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

2016/17 £000	Cash Flow Statement	Notes	2017/18 £000
49,174	Net (Surplus) / Deficit on the Provision of Services		48,954
(41,641)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(24,896)
(53,053)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(64,871)
(45,520)	Net Cash Flows from Operating Activities		(40,813)
72,377	Investing Activities	38	78,674
(31,650)	Financing Activities	39	(30,190)
(4,793)	Net (Increase) / Decrease in Cash & Cash Equivalents		7,671
11,634	Cash & Cash Equivalents at the Beginning of the Reporting Period		16,427
4,793	Increase / (Decrease) in Cash and Cash Equivalents		(7,671)
16,427	Cash & Cash Equivalents at the end of the Reporting Period	40	8,756

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2017/18 and for the previous financial year 2016/17 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2017/18 before Academy recoupment			(193,422)
Academy figure recouped for 2017/18			76,815
Total DSG after Academy recoupment for 2017/18			(116,607)
Brought forward from 2016/17			(5,410)
Carry forward to 2018/19 agreed in advance			-
Agreed initial budgeted distribution in 2017/18	(41,154)	(80,863)	(122,017)
In year adjustments	(369)	-	(369)
Final budgeted distribution for 2017/18	(41,523)	(80,863)	(122,386)
Less actual central expenditure	39,404	-	39,404
Less actual ISB deployed to schools	-	80,863	80,863
Plus Council contribution for 2017/18	-	-	-
Carry Forward to 2018/19	(2,119)	-	(2,119)
Total amount carried forward			(2,119)

The Council's expenditure on running schools is funded primarily by DSG provided by the Education Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early

Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

<i>Schools Budget Funded by Dedicated Schools Grant</i>	<i>Central Expenditure £000</i>	<i>ISB £000</i>	<i>Total £000</i>
<i>Final DSG for 2016/17 before Academy recoupment</i>			(185,760)
<i>Academy figure recouped for 2016/17</i>			66,987
<i>Total DSG after Academy recoupment for 2016/17</i>			(118,773)
<i>Brought forward from 2015/16</i>			(5,747)
<i>Carry forward to 2017/18 agreed in advance</i>			-
<i>Agreed initial budgeted distribution in 2016/17</i>	(39,309)	(85,211)	(124,520)
<i>In year adjustments</i>	(371)	-	(371)
<i>Final budgeted distribution for 2016/17</i>	(39,680)	(85,211)	(124,891)
<i>Less actual central expenditure</i>	34,270	-	34,270
<i>Less actual ISB deployed to schools</i>	-	85,211	85,211
<i>Plus Council contribution for 2016/17</i>	-	-	-
<i>Carry Forward to 2017/18</i>	(5,410)	-	(5,410)
<i>Total amount carried forward</i>			(5,410)

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment

Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Better Care Fund (BCF)

Local Better Care Funds have been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that CPCCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with CPCCG sets out contribution levels and performance measurements.

The BCF value for 2017/18 was £13.0m (2016/17 £12.6m) of which £6.6m (2016/17 £6.4m) is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £1.7m (2016/17 £1.5m) directly received capital funding and £4.7m (2016/17 £4.7m) retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for commissioning and providing specialist health related learning disability services. The annual agreement for 2017/18 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the People & Communities line in the CIES of £0.9m (2016/17 £0.9m).

Integrated Community Equipment Services (ICES)

The annual S75 agreement for 2017/18 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.3m (2016/17 £0.3m) to this pooled

partnership is shown in the People & Communities line in the CIES.

Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this pooled partnership of £1.2m (2016/17 £1.2m) is shown in the People & Communities line in the CIES.

3 External Audit Costs

The Council has incurred the following cost on the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors, Ernst and Young LLP (EY).

<i>Restated 2016/17*</i>	External Audit Costs	2017/18
<i>£000</i>		£000
131	Fees payable with regard to external audit services carried out by the appointed auditor	135
-	Other services provided by the appointed auditor	-
131	Total	135

* 16/17 figures have been restated to reflect final payments in relation to that year.

4 Member's Allowances

The following amounts were paid to members of the Council. This has increased in 2017/18 due to an increase in the number of councillors from 57 to 60 and from an increase in the amount of allowances paid. The level of member allowances is recommended by an independent panel. Councillors had not accepted any increases to their allowances since 2009. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis.

2016/17 £000	Member's Allowances	2017/18 £000
693	Allowances	839
2	Expenses	1
695	Total	840

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £1.2m (2016/17 £0.7m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the following table:

2016/17 (Restated*) £000	Termination Benefits	2017/18 £000
86	Governance	8
-	Growth and Regeneration	51
192	People & Communities	867
357	People & Communities (Schools)	133
20	Resources	110
655	Total	1,169

The number of packages agreed and the value of those packages are analysed in the following tables, in bands of £20k

up to £100k and £50k thereafter (some bands are combined to avoid disclosing individual payments).

Termination and Exit Packages 2017/18							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total ¹ £000
				£000	£000	£000	
5	30	35	£0 - £39,999	31	344	375	22
-	9	9	£40,000 - £59,999	-	421	421	45
-	2	2	£60,000 - £79,999	-	140	140	53
-	2	2	£80,000 - £149,999	-	233	233	63
5	43	48	Total	31	1,138	1,169	183

Termination and Exit Packages 2016/17 (Restated*)							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total ¹ £000
				£000	£000	£000	
16	25	41	£0 - £19,999	69	156	225	9
3	9	12	£20,000 - £39,999	72	226	298	88
-	3	3	£40,000 - £59,999	-	132	132	22
-	-	-	£60,000 - £79,999	-	-	-	-
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £149,999	-	-	-	-
19	37	56	Total	141	514	655	119

¹ Pension Strain included in total is the amount paid to the Local Government Pension Scheme, see Note 7 for further information

* Restated following a review of the definition of exit packages to be included in the note

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

In 2017/18 the Council paid £6.2m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2016/17 were £6.4m and 16.5%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included in Note 7. The Council is not liable to the Scheme for any other entities' obligations under the plan.

NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care and the employees of the Public Health Service. Details of the benefits payable under these provisions can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pensions>.

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

In 2017/18 the Council paid £0.2m to NHS Pensions in respect of employee's retirement benefits, representing 14.3% of pensionable pay. The figures for 2016/17 were £0.2m and 14.3%.

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council. This is a funded defined benefit final salary scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Employee contribution rates are tiered according to an employee's pay band. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no fund assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

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

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

2016/17 £000	Comprehensive Income & Expenditure Statement	2017/18 £000
	Cost of Services:	
14,755	Current service cost	23,163
113	Past service cost	19
-	Effect of settlements	(3,713)
	Financing & Investment Income & Expenditure	
(12,252)	Interest Income on Scheme Assets	(11,602)
20,616	Interest Cost on Defined Benefit Obligation	18,713
<u>23,232</u>	Total post-employment benefit charged to the Deficit on the Provision of Services	26,580
	Other employment benefit charged to the CIES	
(82,622)	Return on plan assets (excluding the amount included in the net interest expense)	7,700
(5,571)	Actuarial gains and losses arising on changes in demographic assumptions	-
108,777	Actuarial gains and losses arising on changes in financial assumptions	(14,365)
4,388	Other Experience	(133)
(144)	Adjustment to actuarial estimate contribution	241
<u>24,828</u>	Total Remeasurements Recognised in CIES	<u>(6,557)</u>
<u>48,060</u>	Total post-employment benefit charged to the CIES	20,023
	Movement in Reserves Statement	
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(20,023)
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,137	Employer's contributions payable to scheme	15,034
<u>(32,923)</u>	Total Movement in Reserves Statement	(4,989)

31 March 2017 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2018 £000
446,376	Fair Value of Employer Assets	451,045
(695,448)	Present Value of Funded Liabilities	(706,119)
(23,215)	Present Value of Unfunded Liabilities	(22,202)
(272,287)	Total	(277,276)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £277.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 47. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2017 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2018 £000
349,105	Opening fair value of Scheme Assets	446,376
12,252	Interest Income	11,602
82,622	Return on plan assets, excluding the amount included in the net interest expense	(7,700)
-	- Effect of Settlements	(1,029)
15,137	Contributions from Employer	15,034
144	Adjustment for Actuarial estimated Employer Contributions	(241)
3,798	Contributions from Employees	3,697
(16,682)	Benefits Paid	(16,694)
446,376	Closing Fair Value of Scheme Assets	451,045

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

31 March 2017 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2018 £000
588,469	Opening Liability at 1 April	718,663
14,755	Current Service Cost	23,163
20,616	Interest Cost	18,713
3,798	Contributions from Scheme Participants	3,697
108,777	Actuarial gains/losses arising from changes in financial assumptions	(14,365)
(5,571)	Actuarial gains/losses arising from changes in demographic assumptions	-
4,388	Other experience	(133)
-	Liabilities Extinguished on Settlements	(4,742)
113	Past Service Costs including curtailments	19
(16,682)	Benefits Paid	(16,694)
718,663	Closing Liability at 31 March	728,321

The following table details the composition of the Scheme Assets into classes that distinguish the nature and risks of those assets. All of the assets have quoted prices in active markets apart from the asset categories Private Equity, Investment Funds and Unit Trusts.

31 March 2017 £000	Local Government Pension Scheme Assets comprised	31 March 2018 £000
	Equity Securities	
11,980	Consumer	12,314
7,763	Manufacturing	8,319
10,304	Energy and Utilities	9,452
18,090	Financial Institutions	20,573
4,739	Health and Care	4,649
1,971	Information Technology	2,400
54,847	Sub-total equity	57,707
12,029	Debt Securities – Government Bonds	11,155
38,831	Private Equity	39,703
	Investment Funds and Unit Trusts	
251,164	Equities	255,707
47,088	Bonds	43,993
29,665	Other	30,288
327,917	Sub-total Investment Funds and Unit Trusts	329,988
12,752	Cash and Cash Equivalents	12,492
446,376	Total Assets	451,045

Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund. The assessment was based on the latest full valuation of the scheme as at the 31 March 2016.

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

31 March 2017	Long-term expected rate of return on assets in the scheme	31 March 2018
2.6%	Equity Investments	2.7%
2.6%	Bonds	2.7%
2.6%	Property	2.7%
2.6%	Cash	2.7%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.4	Men (years)	22.4
24.0	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
24.0	Men (years)	24.0
26.3	Women (years)	26.3
	Financial Assumptions	
3.4%	Rate of inflation	3.4%
2.4%	Rate of increase in pensions	2.4%
2.7%	Rate of increase in salaries	2.7%
2.6%	Rate for discounting scheme liabilities	2.7%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 45.

Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2016, and their recommendations have been implemented from April 2017. The actuary has recommended a combination of an increase to the employer contribution percentage (from 16.3% in 2014/15 to 17.4%) along with a cash lump sum into the fund of £1.9m for the current and next two years. The Council anticipates to pay £13.4m expected contributions to the scheme in 2018/19 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2019 the results of which will be implemented in 2020/21 financial year.

The weighted average duration of the defined benefit obligation for active members is 24.7 years, deferred members 23.1 years and pensioner members 11.8 years.

8 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more in bands of £5,000 is shown in the following table. The table includes the Senior Employees who are also disclosed in the following pages.

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds. The bands include those employees who have received remuneration and lump sum payments during the year, but not any associated pension strain. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

The Council has been acting as employer for eleven staff working for Cambridgeshire and Peterborough Combined Authority (CPCA) under a HR and Payroll Service Level Agreement (see Note 13). As the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note. The cost of these employees are charged to CPCA in full and they will TUPE transfer to CPCA during 2018/19. Additional notes have been added where CPCA staff are disclosed in the following tables.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2017/18 was approved on 8 March 2017.

Restated 2016/17*			Remuneration Band	2017/18		
No. of Employees				No. of Employees		
Non Schls	Schls	Total		Non Schls	Schls	Total
23	21	44	£50,000 - £54,999	27	27	54
9	22	31	£55,000 - £59,999	8	17	25
10	18	28	£60,000 - £64,999	13	13	26
6	13	19	£65,000 - £69,999	7	14	21
7	6	13	£70,000 - £74,999	8	6	14
3	9	12	£75,000 - £79,999	4	7	11
2	-	2	£80,000 - £84,999	3	5	8
4	5	9	£85,000 - £89,999	3	1	4
1	2	3	£90,000 - £94,999	1	4	5
5	2	7	£95,000 - £99,999	1	2	3
1	-	1	£100,000 - £104,999	-	1	1
-	2	2	£105,000 - £109,999	-	1	1
-	-	-	£110,000 - £114,999	2	1	3
-	-	-	£115,000 - £119,999	1	-	1
-	-	-	£125,000 - £129,999	1	-	1
1	-	1	£130,000 - £134,999	1	-	1
1	-	1	£140,000 - £144,999	1	-	1
-	-	-	£145,000 - £149,999	1	-	1
1	-	1	£160,000 - £164,999	-	-	-
1	-	1	£175,000 - £179,999	1	-	1
75	100	175	PCC Total	83	99	182
CPCA Employees:						
-	-	-	£55,000 - £59,999	1	-	1
-	-	-	£175,000 - £179,999	1	-	1
-	-	-	Grand Total	85	99	184

*Remuneration is based on salary before salary sacrifice deductions which has reclassified some employees into different bands.

Senior Employees Remuneration

The following table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears.

Post Holder	Year	Salary ¹	Expenses Allowances	Compensation for loss of Office	Election duties ²	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ³	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley see Note A	2017/18	£171,597	-	-	£4,875	£176,472	£28,692	£205,164
	2016/17*	£171,877	-	-	£4,574	£176,451	£27,068	£203,519
Corporate Director: Resources J Harrison to 31 Jul 2017 see Note B	2017/18	£109,200	-	-	£4,550	£113,750	£8,671	£122,421
	2016/17*	£154,986	-	-	£6,000	£160,986	£24,655	£185,641
Corporate Director: People & Communities see Note A	2017/18	£143,963	-	-	£750	£144,713	£24,759	£169,472
	2016/17*	£142,538	-	-	£900	£143,438	£23,084	£166,522
Corporate Director: Growth & Regeneration see Note C	2017/18	£127,939	-	-	£250	£128,189	£22,143	£150,332
	2016/17	£130,006	-	-	£590	£130,596	£21,191	£151,787
Director of Governance to 27 November 2017 see Note D	2017/18	£65,899	-	-	£3,950	£69,849	£11,526	£81,375
	2016/17*	£96,742	-	-	£4,400	£101,142	£15,769	£116,911
Assistant Director of HR and Development from 1 July 2017 see Note E	2017/18	£57,861	-	-	£610	£58,471	£9,938	£68,409
	2016/17	-	-	-	-	-	-	-
Senior Employees employed on behalf of Cambridgeshire & Peterborough Combined Authority (CPCA)								
CPCA Chief Executive – M Whiteley see Note F	2017/18	£162,894	£14,917	-	-	£177,811	£28,214	£206,025
	2016/17	-	-	-	-	-	-	-
<p>1. Salary reflects actual amounts paid in the relevant period, and includes fees & allowances plus basic arrears. It is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details.</p> <p>2. Payment for election duties depend on the elections overseen in the year. During 2016/17 there were local elections, the EU Referendum and a Police and Crime Commissioner election, during 2017/18 there were three local by-elections, a General Election, and a Cambridgeshire & Peterborough Combined Authority Mayoral Election. The General Election and EU Referendum costs are funded by the Electoral Commission. The Police and Crime Commissioner election costs are funded by the Cabinet Office, the Cambridgeshire & Peterborough Combined Authority Mayoral Election is funded by the Cambridgeshire & Peterborough Combined Authority.</p> <p>3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.</p> <p>N.B There were no Bonuses or Benefits in Kind payable during 2017/18 or 2016/17.</p>								

*2016/17 Salary restated to exclude salary sacrifice deductions.

Notes to the Senior Employees Remuneration table

A – The costs of the Chief Executive and Corporate Director: People & Communities are shared with Cambridgeshire County Council (CCC) under a S113 Agreement. As they are employed by the Council costs are shown in full in the table, and 50% of the cost is recharged to CCC. A similar arrangement is in place for the Director of Public Health, but as this post is employed by CCC it is not shown in the table, the cost to the Council for 2017/18 was £52,932 (2016/17 £52,332).

B – The Corporate: Director Resources resigned with effect from 31 July 2017, and was filled by an Interim from 1 August 2017 to 29 March 2018 at a cost of £147,943. From 30 March 2018 the post is being covered by an internal acting up arrangement. The role was seconded part time to act as S151 Officer for Cambridgeshire & Peterborough Combined Authority until 31 August 2017 for a fixed contribution of £30,000 (2016/17 £30,000), and also at the disposal of East Cambridgeshire District Council to act as S151 Officer until 19 June 2017 who paid £3,410 based on chargeable days (2016/17 – nil).

C – The full cost of the Corporate Director: Growth & Regeneration is included in the table. The post acted as Managing Partner for the Peterborough Investment Partnership until 31 December 2017 which contributes half the costs. The income to the Council for 2017/18 was £63,574 (2016/17 £84,010).

D – The Director of Governance was seconded to act as Monitoring Officer for Cambridgeshire & Peterborough Combined Authority (CPCA) part time until 30 June 2017 then full time until 27 November 2017 at which point they left their substantive post to take up the CPCA role permanently. From 1

July 2017 the Council’s Monitoring Officer role was covered by two successive interims at a total cost of £134,672.

E - The Assistant Director of HR and Development is disclosed in the table from 1 July 2017 in accordance with the Accounts and Audit Regulations 2015 as they report directly to the Chief Executive from this date.

F – The Cambridgeshire & Peterborough Combined Authority (CPCA) Chief Executive is disclosed in the table as they are employed by the Council on behalf of CPCA and meet the statutory definition of a Senior Employee, but the post is not part of the Corporate Management Team and is seconded full time to CPCA who cover all the costs. This reflects the mechanics of setting up CPCA which did not have registered employer status when the post was appointed to. The post is anticipated to TUPE to CPCA during 2018/19 following the agreement of CPCA Terms and Conditions by CPCA Employment Committee.

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

2016/17	Other Operating Income & Expenditure	2017/18
£000		£000
576	Parish Council Precepts	600
609	Drainage & Flood Levies	613
3	Payments to the Government Housing Capital Receipts Pool (Note 16)	4
(1,479)	Net (Gains) / Losses on Disposal of Non-Current	1,371
(1,061)	Gains on Right To Buy Receipts	(1,455)
(1,352)	Total	1,133

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

2016/17	Financing & Investment Income & Expenditure	2017/18
£000		£000
16,634	Interest Payable & Similar Charges (Note 28)	16,585
(874)	Interest Receivable & Similar Income (Note 28)	(1,268)
(1,391)	Other Investment Income	(166)
8,364	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	7,111
(1,120)	(Gains) / Losses on Trading Operations (Note 11)	(2,138)
1,512	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	90
(26)	Impairment of Current Assets and Long Term Debtors	(103)
28,087	De-recognition of Subsidiary Assets	26,075
51,186	Total	46,186

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

11 Trading Operations

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

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the Council and deliver aspects of the Council's Environment Capital vision. These schemes have been completing during 2017/18 and are not expected to have any significant activity in 2018/19.

Trading Operations 2017/18	Expenditure	Income	Deficit / (Surplus)
	£000	£000	£000
Industrial Properties	241	(1,690)	(1,449)
Commercial Properties	672	(1,788)	(1,116)
Market Properties	260	(284)	(24)
Total for Properties	1,173	(3,762)	(2,589)
Westcombe Industries	1,380	(1,260)	120
Environment Capital	8	(26)	(18)
Other Traded Services	1,388	(1,286)	102
Sub Total	2,561	(5,048)	(2,487)
Capital Charges Adjustment	349	-	349
Total for Trading Units	2,910	(5,048)	(2,138)

Trading Operations 2016/17	Expenditure	Income	Deficit / (Surplus)
	£000	£000	£000
Industrial Properties	408	(1,614)	(1,206)
Commercial Properties	593	(1,650)	(1,057)
Market Properties	337	(221)	116
Total for Properties	1,338	(3,485)	(2,147)
Westcombe Industries	1,076	(987)	89
Environment Capital	1,206	(1,201)	5
Other Traded Services	2,282	(2,188)	94
Sub Total	3,620	(5,673)	(2,053)
Capital Charges Adjustment	933	-	933
Total for Trading Units	4,553	(5,673)	(1,120)

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

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

2016/17	Taxation & Non-Specific Grant Income	2017/18
£000		£000
(64,144)	Council Tax Income	(69,029)
419	NDR Levy Payment	213
6,736	NDR Tariff Payment	2,301
(48,436)	NDR Income	(44,193)
(105,425)	Total Taxation Income	(110,708)
	Non-Specific Government Grants	
(26,983)	Revenue Support Grant	(19,821)
(7,990)	New Homes Bonus	(6,641)
(1,493)	Section 31 Grant	(2,809)
(36,466)	Total Non-Specific Grants	(29,271)
(19,447)	Capital Grants & Contributions (Note 25)	(24,553)
(161,338)	Total Income	(164,532)

13 Related Parties

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

The disclosures do not include transactions with related parties that the Council has no discretion over such as council tax and rates payments, the award of benefits and Nursery Education Funding payments whose terms apply commonly across the

local population and for which the related party would have a duty or entitlement if the relationship did not exist.

Central Government

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

Members

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2017/18 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2017/18 is shown in Note 4. Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have material related party transactions with the Council in the last financial year. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts.

- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £82k for services during 2017/18,

- Cllr M Nadeem is Director of Nadeem Construction Limited which the Council paid £80k under a contract for Care & Repair services,
- Cllr B Saltmarsh is unpaid board member of Families First Peterborough C.I.C. which the Council paid £97k for services during 2017/18, £2k of which was outstanding at 31 March 2018.

Members and officers are appointed by the council as representatives to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mqListOutsideBodiesByCategory.aspx?bcr=1>) and is also available for public inspection at the Town Hall during office hours. The only significant transactions that have taken place with these bodies during 2017/18 which are not disclosed elsewhere are with Vivacity.

Vivacity

Vivacity is an independent, not-for-profit organisation with charitable status which since 1 May 2010 manages many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement. During 2017/18 the Council spent £2,304k on services with Vivacity (2016/17 £2,336k) and received £1,434k from Vivacity for services (2016/17 £1,383k). At 31 March 2018 the Council owed nil to Vivacity (2016/17 £71k) and Vivacity owed £723k to the Council (2016/17 £403k).

Other Public Bodies (subject to common control by central government)

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of:

- Legal, Regulatory and Health and Safety services to Rutland County Council,
- legal services to East Cambridgeshire District Council (until 31 July 2017) and Fenland District Council,
- a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council (until 31 December 2017),
- planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council,
- a neighbourhood planning service to North Kesteven District Council and West Lindsey District Council,
- a strategic housing/development service to Huntingdonshire District Council.

The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council which include Regulatory Services, Ecological Services and a continuing joint area based broadband project.

These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature, except to the arrangements with Cambridgeshire and Peterborough Combined Authority (see below).

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017, having operated for several months prior to this as a shadow authority. The Council has been providing a range of services to support the new body. These include Legal, Insurance, Internal Audit, Treasury Management, Finance Systems, Accountancy, Internal Audit and HR & Payroll. As part of the HR & Payroll SLA the Council is acting as employer for eleven CPCA staff until CPCA has completed the necessary arrangements to take on the contracts, see Note 8 for further details. During 2017/18 the Council has recharged CPCA £1,994k for services provided and costs incurred (£178k 2016/17). A debtor balance of £836k was outstanding at 31 March 2018 (£178k 31 March 2017). In addition as part of routine cash flow management, the Council was in receipt of a £2m loan from the CPCA. This loan was for three months from 29 March 2017, the interest rate charged was the standard inter-authority rate at the time it was taken at 0.45% and equated to £2k of interest payable.

Entities Controlled or Significantly Influenced by the Authority

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

remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2017/18 the amount raised was £29k (restated 2016/17 £47k).

Where the Council has substantial interest in companies and relevant transactions and balances, these are detailed in Note 14.

14 Interest in Companies and Partnerships

Opportunity Peterborough Limited

The registered name of the company is Opportunity Peterborough Limited and is a wholly owned subsidiary of Peterborough City Council. The company exists to "assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough".

The net assets of the Company at 31 March 2018 are £146,029 (31 March 2017, £183,017), and the Company made a net loss of £36,988 in 2017/18 (2016/17, loss of £38,346). The accounts can be obtained from Opportunity Peterborough, Allia Future Business Centre Peterborough United Football Club, London Road, Peterborough, Cambridgeshire PE2 8AN.

During 2017/18 the Council paid £529k to Opportunity Peterborough Limited (OP), including a funding contribution to the company of £207k (2016/17 £959k and £207k). The Council

received £16k for services from OP (2016/17 £29k). At 31 March 2018 the Council owed OP £2k (2016/17 £20k).

Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2018 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

The registered name of the limited liability partnership is Peterborough Investment Partnership LLP and the members of the limited liability partnership are Peterborough City Council and Lucent Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and Lucent Peterborough Partnership SARL and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors. The net assets of the Partnership at 31 March 2018 are £1,868,289 (restated £2,754,407 in 2016/17) and the Partnership made a net loss in year of £886,188 (restated net profit in 2016/17 of £5,165,615) in accordance with its business plan. The accounts can be obtained from Peterborough Investment Partnership LLP Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES. During 2017/18 the Council made no payments to the Partnership (2016/17 purchased loan notes for £1,083k) and received £1,326k from the Partnership for services (2016/17 £4,650k mostly for redemption of loan notes, related interest

payments and a declared distribution). At 31 March 2018 the Partnership owed £104k to the Council (2016/17 £4,644k).

Empower Community Interest Company (CIC)

The registered name of the company is Empower Peterborough Community Interest Company and the members are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. The net assets of the company are £1,901 (restated 2016/17 £1,637) and it made a profit in year of £264 (restated 2016/17 £190). The accounts can be obtained from Empower Peterborough Community Interest Company, c/o BWB Secretarial Services Ltd, 10 Queen Street Place, London, EC4R 1BE.

NPS Peterborough Ltd

The registered name of the company is NPS Peterborough Ltd and the members are NPS Property Consultants Ltd and Peterborough City Council. The company is 50:50 controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company to assist the Council in property and estate management services. The net assets of the company are £123,839 (2016/17 £36,127 and it made a profit in year of £87,712 (2016/17 £36,117) . The accounts can be obtained from NPS Peterborough Ltd, Lancaster House, 16 Central Avenue, St Andrews Business

Park, Norwich, Norfolk, NR7 0HR. During 2017/18 the Council spent £2,533k on services with NPS Peterborough Ltd (2016/17 £1,417k) and received £104k from NPS Peterborough for services (2016/17 £44k). At 31 March 2018 the Council owed £37k to NPS Peterborough Ltd (2016/17 £82k) and NPS Peterborough Ltd owed £55k to the Council (2016/17 nil).

company are £2 (2016/17 £2) and apart from the issue of share capital there have been no transactions in the year.

Medesham Homes LLP

The registered name of the limited liability partnership is Medesham Homes LLP and the members are CKH Developments Limited (A member), Medesham Limited (B member) and Peterborough City Council (A member). The partnership is controlled 50:50 by the A members, CKH Developments Limited and Peterborough City Council, and was incorporated on the 25 November 2016. The partnership was incorporated with the objectives to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups. The net assets of the partnership are £172,795 (restated 2016/17 £200,201) and it made a loss of £27,406 (2016/17 nil) During 2017/18 the Council made a capital grant of £2.290m to Medesham Homes LLP for the provision of homes for affordable rent.

Medesham Limited

The registered name of the company is Medesham Limited. CKH Developments Ltd holds one B share of £1 and Peterborough City Council holds one A share of £1 with both shares ranking equally. The Limited company was incorporated with the purpose of holding interests in corporate entities; in relation to or as subsidiaries of Medesham Homes LLP. The net assets of the

15 Expenditure and Funding Analysis and Subjective Analyses

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure Chargeable to the General Fund	Restated 2016/17*		Expenditure and Funding Analysis (EFA)	Notes (From Page 22)	Expenditure Chargeable to the General Fund	2017/18 Adjustments between the Funding and Accounting Basis (Note 15)	Net Expenditure in the CIES
	Adjustments between the Funding and Accounting Basis (Note 15)	Net Expenditure in the CIES					
1,503	12	1,515	Chief Executives		1,426	131	1,557
4,268	124	4,392	Governance	4	4,499	208	4,707
75,139	19,549	94,688	People & Communities	1,2, 6	71,057	20,338	91,395
38,819	(16,852)	21,967	Resources	3	36,386	(12,475)	23,911
21,210	16,861	38,071	Growth & Regeneration		22,196	22,383	44,579
43	2	45	Public Health	6	1	17	18
140,982	19,696	160,678	Cost of Services	15	135,565	30,602	166,167
(142,973)	31,469	(111,504)	Other Income & Expenditure	9,10,11,12	(137,642)	20,429	(117,213)
(1,991)	51,165	49,174	(Surplus) / Deficit on Provision of Services	15	(2,077)	51,031	48,954
(42,390)			Opening General Fund Balance	16	(44,381)		
(1,991)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		(2,077)		
<u>(44,381)</u>			Closing General Fund Balance**	16	(46,458)		

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.

** This balance represents three usable reserves, the General Fund Balance, School's Balances and Specific Earmarked Reserves, see Note 16 for more detailed information.

Adjustments for Capital Purposes ¹	Restated 2016/17*			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes ¹	2017/18		
	Net change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments			Net change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
-	13	(1)	12	Chief Executives	-	130	1	131
107	21	(4)	124	Governance	16	193	(1)	208
18,355	326	868	19,549	People & Communities	14,367	7,004	(1,033)	20,338
26,348	(679)	(42,521)	(16,852)	Resources	33,280	(3,361)	(42,394)	(12,475)
15,245	47	1,569	16,861	Growth & Regeneration	20,158	449	1,776	22,383
-	3	(1)	2	Public Health	-	20	(3)	17
60,055	(269)	(40,090)	19,696	Cost of Services	67,821	4,435	(41,654)	30,602
(18,993)	8,364	42,098	31,469	Other income and expenditure from the EFA	(25,914)	7,111	39,232	20,429
41,062	8,095	2,008	51,165	Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services	41,907	11,546	(2,422)	51,031

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.

¹ Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and deducts the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions as these are not chargeable under generally accepted accounting practices, and for:

- Other Operating Income & Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the gains and losses in Fair Value of Investment Properties are added in.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

² Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CIES.

³ Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

A number of items which are reported against services in the management accounts but are shown as Other Income and Expenditure in the CIES are adjusted for here including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

Restated 2016/17*			Segmental analysis of certain Items of Income and Expenditure shown net in the EFA	2017/18		
Revenues from External Customers	Interest Revenue	Interest Expense		Revenues from External Customers	Interest Revenue	Interest Expense
£000	£000	£000		£000	£000	£000
(595)	-	-	Chief Executives	(626)	-	-
(1,434)	-	-	Governance	(1,319)	-	-
(55,533)	-	-	People & Communities	(55,874)	(7)	37
(18,792)	(874)	16,615	Resources	(25,152)	(1,261)	16,158
(15,584)	-	19	Growth & Regeneration	(16,590)	-	390
(134)	-	-	Public Health	(157)	-	-
(92,072)	(874)	16,634	Total in Cost of Services	(99,718)	(1,268)	16,585

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.

2016/17 £000	Expenditure & Income Analysed by Nature	2017/18 £000
	Expenditure	
139,645	Employee Expenses	138,177
21,267	Employee Expenses (Voluntary Aided and Foundation Schools) *	22,649
354,141	Other Service Expenses	368,202
30,707	Depreciation, Amortisation & Impairment	33,738
16,634	Interest Payments	16,585
1,185	Precepts & Levies	1,213
3	Payments to Housing Capital Receipts Pool	4
563,582	Total Expenditure	580,568
	Income	
(113,624)	Fees, Charges & Other Service Income	(130,864)
(2,265)	Interest & Investment Income	(1,434)
(64,144)	Income from Council Tax	(69,029)
(48,436)	NDR Income	(44,193)
(285,939)	Government Grants & Contributions	(286,094)
(514,408)	Total Income	(531,614)
49,174	Deficit / (Surplus) on the Provision of Services	48,954

* Following the reporting requirements stipulated by the Code on accounting for schools, the Council's Statement of Accounts includes an analysis of the income and expenditure of the Council's maintained schools as if it were the expenditure of the authority. However Voluntary Aided and Foundation schools employees are not in fact employees of the Council, so they are shown separately in this note.

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

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

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(31,049)	-	-	31,049
Revaluation losses on Property Plant and Equipment	(545)	-	-	545
Movements in the fair value of Investment Properties	(90)	-	-	90
Amortisation of intangible assets	(2,689)	-	-	2,689
Capital grants and contributions	36,505	-	-	(36,505)
Capital contributions used for the repayment of loans	4,437	-	-	(4,437)
Revenue expenditure funded from capital under statute	(23,392)	-	-	23,392
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(39,840)	-	-	39,840
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	32	-	(32)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	26	(26)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	4,315	(4,315)	-	-
Redemption of Financial Assets (Loans)	-	-	-	-
Use of the reserve to finance capital expenditure	-	1,083	-	(1,083)
Capital Receipts used for the repayment of loans	-	7,180	-	(7,180)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(4)	4	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(3,952)	-	3,952
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	10,413	-	-	(10,413)
Adjustments involving the Financial Instruments Adjustment Account:				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(47)	-	-	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,580)	-	-	26,580
Employer's pensions contributions & direct payments to pensioners payable in the year	15,034	-	-	(15,034)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	668	-	-	(668)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,674	-	-	(1,674)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	127	-	-	(127)
Total Adjustments	(51,031)	-	(6)	51,037

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<i>Adjustments involving the Capital Adjustment Account:</i>				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(27,464)	-	-	27,464
Revaluation losses on Property Plant and Equipment	(4,734)	-	-	4,734
Movements in the fair value of Investment Properties	(1,512)	-	-	1,512
Amortisation of intangible assets	(3,243)	-	-	3,243
Capital grants and contributions	35,683	-	-	(35,683)
Revenue expenditure funded from capital under statute	(20,788)	-	-	20,788
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(30,439)	-	-	30,439
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	6,121	-	-	(6,121)
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
Capital grants & contributions unapplied from the CIES	425	-	(425)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	221	(221)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	3,725	(3,725)	-	-
Redemption of Financial Assets (Loans)	-	(1,000)	-	1,000
Use of the reserve to finance capital expenditure	-	1,000	-	(1,000)
Capital Receipts used for the repayment of loans	-	4,979	-	(4,979)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(3)	3	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(6)	-	6
<i>Adjustments involving the Deferred Capital Receipts Reserve</i>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	1,167	-	-	(1,167)
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(59)	-	-	59
<i>Adjustments involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(23,232)	-	-	23,232
Employer's pensions contributions & direct payments to pensioners payable in the year	15,137	-	-	(15,137)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,388)	-	-	1,388
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	306	-	-	(306)
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
Adjustments for short-term compensated absences	(867)	-	-	867
Total Adjustments	(51,165)	1,251	(204)	50,118

- **Summary of Usable and Unusable Reserves**

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

1 April 2016 £000	Movement £000	31 March 2017 £000	Summary of Usable and Unusable Reserves	1 April 2017 £000	Movement £000	31 March 2018 £000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,183)	777	(5,406)	School's Balances	(5,406)	(153)	(5,559)
(30,207)	(2,768)	(32,975)	Specific Earmarked Reserves (Note 17)	(32,975)	(1,924)	(34,899)
(1,251)	1,251	-	Capital Receipts Reserve	-	-	-
(1,006)	(204)	(1,210)	Capital Grants Unapplied Account	(1,210)	(6)	(1,216)
(44,647)	(944)	(45,591)	Total Usable Reserves	(45,591)	(2,083)	(47,674)
			Unusable Reserves			
(112,389)	(31,817)	(144,206)	Revaluation Reserve	(144,206)	11,205	(133,001)
(41,726)	28,168	(13,558)	Capital Adjustment Account	(13,558)	32,744	19,186
(1,715)	(2,244)	(3,959)	Deferred Capital Receipts Reserve	(3,959)	(6,461)	(10,420)
281	59	340	Financial Instruments Adjustment Account	340	47	387
239,364	32,923	272,287	Pension Reserve	272,287	4,989	277,276
(223)	1,082	859	Collection Fund Adjustment Account	859	(2,342)	(1,483)
2,546	867	3,413	Accumulating Compensated Absences Adjustment Account	3,413	(127)	3,286
86,138	29,038	115,176	Total Unusable Reserves	115,176	40,055	155,231
41,491	28,094	69,585	Total Usable and Unusable Reserves	69,585	37,972	107,557

- **Revaluation Reserve**

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

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

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

2016/17 £000	Revaluation Reserve:	2017/18 £000
(112,389)	Balance at start of year	(144,206)
(51,129)	Upward revaluation of assets	(10,245)
5,221	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	5,820
2,927	Difference between fair value depreciation & historical cost depreciation	2,794
11,164	Release of revaluation gains on disposal	12,836
<u>(144,206)</u>	Balance at end of the year	<u>(133,001)</u>

- **Capital Adjustment Account**

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation,

impairment losses and amortisations are charged to the CIES. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

2016/17 £000	Capital Adjustment Account:	2017/18 £000
(41,726)	Balance at start of year	(13,558)
27,464	Charges for depreciation & Impairment	31,049
4,734	Revaluation (gains) / losses on Property, Plant & Equipment	545
1,512	Movement in fair market value of Investment Properties	90
3,243	Amortisation of Intangible Assets	2,689
(35,683)	Capital Grants & Contributions that have been applied to Capital Financing	(36,505)
(221)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(26)
20,788	Revenue Expenditure Funded from Capital under Statue (REFCUS)	23,392
30,439	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	39,840
(1,000)	Transfer form Useable Capital Receipts	(1,083)
(4,979)	Use of Capital Receipts to Repay Loans	(7,180)
(6,121)	Provision for the Repayment of Loans	-
	- Use of Capital Contributions to Repay Loans	(4,437)
2,083	Redemption of Financial Assets (Loans & Loan Notes)	-
(2,927)	Depreciation & Impairment written down to RR	(2,794)
(11,164)	Transfer of Revaluation Reserve on disposal	(12,836)
<u>(13,558)</u>	Balance at end of the year	<u>19,186</u>

- **Deferred Capital Receipts Reserve**

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

2016/17 £000	Deferred Capital Receipts Reserve:	2017/18 £000
(1,715)	Balance at start of year	(3,959)
(1,083)	Contribution to Deferred Capital Receipts Reserve – Redemption of Fletton Quays Loan Notes not related to Disposals.	-
(1,167)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(10,413)
6	Transfer to the Capital Receipts Reserve upon receipt of cash	3,952
<u>(3,959)</u>	Balance at end of the year	<u>(10,420)</u>

- **Financial Instruments Adjustment Account**

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

2016/17 £000	Financial Instruments Adjustment Account:	2017/18 £000
281	Balance at start of year	340
59	Interest Paid on Short Term Loans	47
<u>340</u>	Balance at end of the year	<u>387</u>

- **Pensions Reserve**

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

2016/17 £000	Pensions Reserve:	2017/18 £000
239,364	Balance at start of year	272,287
24,828	Actuarial gains / losses on pension assets & liabilities (Note 7)	(6,557)
23,232	Reversal of items relating to Post Employment Benefits Debited / Credited to the Surplus / Deficit on the provision of Services line in the CIES (Note 7)	26,580
(15,137)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(15,034)
<u>272,287</u>	Balance at end of the Year	<u>277,276</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 75.

2016/17 £000	Collection Fund Adjustment Account:	2017/18 £000
(223)	Balance at start of year	859
1,388	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	(668)
(306)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(1,674)
<u>859</u>	Balance at end of the Year	<u>(1,483)</u>

- **Accumulating Compensated Absences Adjustment Account**

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

2016/17 £000	Accumulating Compensated Absences Adjustment Account:	2017/18 £000
2,546	Balance at start of year	3,413
867	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(127)
<u>3,413</u>	Balance at end of the Year (Note 35)	<u>3,286</u>

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

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

General Fund Earmarked Reserves	31 March 2017 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2018 £000	Purpose of the Earmarked Reserve
Departmental Reserves	3,855	(429)	3,734	(1,962)	5,198	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,425	-	511	-	4,936	To provide for future claims (self-insurance). A number of risks, contingencies and financial losses are covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £50,000 per loss, are also met by the Reserve.
Schools Capital	1,287	(295)	216	-	1,208	School revenue reserves put aside for funding future school capital schemes.
Future Cities	569	(329)	-	-	240	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Capacity Building	4,994	(2,096)	7,854	1,962	12,714	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	428	-	-	-	428	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
Grant Equalisation Reserve	15,639	(7,194)	-	-	8,445	A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings.
Development Equalisation Reserve	1,233	-	-	-	1,233	This reserve is used to manage the cash flow from strategic development and smooth the impact on the revenue account.
Other	545	(113)	65	-	497	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	32,975	(10,456)	12,380	-	34,899	

18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2017 Gross Book Value	450,485	42,098	261,761	901	688	2,269	8,335	766,537
Additions	5,099	2,549	21,552	34	-	-	13,166	42,400
Revaluation increase / (decrease) recognised in the Revaluation Reserve	630	-	-	-	-	(1)	-	629
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(553)	-	-	-	-	-	-	(553)
Derecognition - Disposals	(29,025)	(6,464)	-	-	-	(1,237)	-	(36,726)
Reclassified Assets	-	-	-	-	-	-	(836)	(836)
Assets Under Construction Completed In Year	429	2,103	508	30	-	104	(5,800)	(2,626)
At 31 March 2018	427,065	40,286	283,821	965	688	1,135	14,865	768,825
Accumulated Depreciation and Impairment								
At 01 April 2017	(30,894)	(21,141)	(106,562)	-	-	-	-	(158,597)
Depreciation Charge	(8,977)	(4,226)	(12,804)	-	-	-	-	(26,007)
Depreciation written out to the Revaluation Reserve	3,316	-	-	-	-	-	-	3,316
Depreciation written out to the (Surplus) / Deficit on Provision of Services	8	-	-	-	-	-	-	8
Impairment (losses) /reversals recognised in the Revaluation Reserve	400	-	-	-	-	-	-	400
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(2,159)	(49)	-	(64)	-	(104)	-	(2,376)
Depreciation Movement on Transfers	-	-	-	-	-	-	-	-
Derecognition - Disposals	1,432	4,925	-	-	-	-	-	6,357
Assets Reclassified	(235)	-	-	-	-	-	-	(235)
At 31 March 2018	(37,109)	(20,491)	(119,366)	(64)	-	(104)	-	(177,134)
Net Book Value - At 31 March 2018	389,956	19,795	164,455	901	688	1,031	14,865	591,691
<i>Net Book Value - At 31 March 2017</i>	<i>419,589</i>	<i>20,956</i>	<i>155,198</i>	<i>901</i>	<i>688</i>	<i>2,269</i>	<i>8,337</i>	<i>607,938</i>

Comparative Movements in 2016/17

Property, Plant & Equipment (PPE) – 2016/17	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2016 Gross Book Value	441,283	40,915	237,434	901	688	2,710	8,718	732,649
Additions	6,869	4,607	12,242	25	-	-	18,258	42,001
Revaluation increase / (decrease) recognised in the Revaluation Reserve	36,368	16	-	-	-	(1)	-	36,383
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(5,018)	-	-	-	-	1	-	(5,017)
Derecognition - Disposals	(32,729)	(4,299)	-	-	-	(468)	-	(37,496)
Reclassified Assets	210	(16)	-	-	-	-	(368)	(174)
Assets Under Construction Completed In Year	3,501	874	12,085	-	-	29	(18,098)	(1,609)
At 31 March 2017	450,484	42,097	261,761	926	688	2,271	8,510	766,737
Accumulated Depreciation and Impairment								
At 01 April 2016	(32,793)	(20,725)	(94,695)	-	-	(8)	-	(148,221)
Depreciation Charge	(9,472)	(4,674)	(11,868)	-	-	-	-	(26,014)
Depreciation written out to the Revaluation Reserve	7,351	-	-	-	-	-	-	7,351
Depreciation written out to the (Surplus) / Deficit on Provision of Services	283	-	-	-	-	-	-	283
Impairment (losses) /reversals recognised in the Revaluation Reserve	2,167	-	-	-	-	7	-	2,174
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(1,416)	(5)	-	(25)	-	(1)	-	(1,447)
Depreciation Movement on Transfers	-	9	-	-	-	-	(173)	(164)
Derecognition - Disposals	2,985	4,254	-	-	-	-	-	7,239
At 31 March 2017	(30,895)	(21,141)	(106,563)	(25)	-	(2)	(173)	(158,799)
Net Book Value - At 31 March 2017	419,589	20,956	155,198	901	688	2,269	8,337	607,938
Net Book Value - At 31 March 2016	408,490	20,190	142,739	901	688	2,702	8,718	584,428

19 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 11. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

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

2016/17 £000	Investment Properties	2017/18 £000
31,770	Balance at start of year	30,413
-	- Acquisition	159
143	Subsequent Expenditure (Note 25)	283
67	Assets Under Construction Completed in Year	32
-	- Disposals	(9,261)
(1,512)	Revaluations (Note 10)	(90)
(55)	To / from Property, Plant and Equipment	261
<u>30,413</u>	Balance at end of the Year	<u>21,797</u>

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out by the Council's external valuers, Wilks Head & Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. There have been no changes in the valuation techniques used during the year for investment properties.

The Council's investment properties are valued in accordance with the 'Fair Value Hierarchy', as follows:

- Level One – quoted prices in active markets for identical assets
- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

The fair value for investment properties (commercial units) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level Two in the fair value hierarchy.

There have been no transfers between Levels One and Two, and Levels Two and Three during the year.

20 Intangible Assets

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

31 March 2017	Intangible Assets	Remaining Amortisation Period Years	31 March 2018 £000
1,445	Energy Performance Contract	4	1,084
1,122	Customer Experience Programme	2	172
1,943	Lot 3 Waste & Environmental Services Contract	0.6	57
2,054	Lot 1 Viridor Contract	28	1,981
-	Educate Software	3	1,372
<u>6,564</u>	Total		<u>4,666</u>

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

The carrying amount of intangible assets is amortised on a straight-line basis. The movement on Intangible Assets balances during the year is shown in the following table:

31 March 2017	Intangible Assets	31 March 2018
£000	Balance at 1 April:	£000
20,910	Gross Carrying Amounts	23,142
(9,921)	Accumulated Amortisation	(13,001)
10,989	Net Carrying Amount at Start of the Year	10,141
	Additions	
986	Purchases (Note 25)	1,810
1,503	Assets Under Construction Completed in Year	2,593
(3)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	(2,666)
(3,243)	Amortisation for the period	(2,689)
	Disposals	
-	De-recognition - Disposals	(4,560)
-	De-recognition - Disposals (Accumulated Amortisation)	4,349
(254)	Other Changes – Gross Carrying Amount	-
163	Other Changes - Amortisation	-
10,141	Net Carrying Amount at the End of Year	8,978
23,142	Gross Carrying Amounts	20,319
(13,001)	Accumulated Amortisation	(11,341)
10,141	Net Carrying Amount at the End of Year	8,978

21 Assets Held for Sale

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

This Asset Held for Sale was previously held on the Asset Register at nil.

2016/17 £000	Assets Held for Sale - Current Assets	2017/18 £000
298	Balance at 1 April:	-
-	Revaluation Gains	80
(155)	Property, Plant and Equipment Declassified as Held for Sale	-
(182)	Assets Sold	-
	Other movements:	
39	Assets Under Construction Completed In Year	-
-	Balance Outstanding	80

22 Capital Commitments

As at 31 March 2018 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and Intangible Assets. These contracts, at a budgeted cost of £40.3m, are part of the approved capital programme within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract	Value outstanding at 31/3/18
	£000	£000
Paston Reserve Primary	340	266
Clare Lodge – Phase 6	2,646	719
Nene Park Academy Expansion	5,442	2,811
Ormiston Bushfield Academy	4,607	2,942
Thomas Deacon Academy Expansion	2,322	1,810
Ken Stimpson Expansion	488	208
Woodston Expansion	589	410
Wireless CCTV	337	186
St Georges Refurbishment	1,029	1,029
Oakdale Primary Expansion	3,779	3,779
Hampton Lakes Primary	148	148
Jack Hunt Expansion	128	128
Householders Recycling Centre	1,706	1,465
Energy for Waste Plant	926	723
Fletton Quays Fit Out	4,478	4,478
South Town Hall Works	2,433	1,510
North Town Hall Works	130	130
Customs House Roof	114	112
Central Library Roof	284	137
Street Lighting LED Project	3,096	1,002
Nene Bridge Bearings	3,474	3,442
Bourges Boulevard Phase 2	1,629	1,156
Corfe Avenue Walton Deck Refurbishments	200	200
Total	40,325	28,791

23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at current value and is revalued at least every four years. The valuations in 2017/18 were carried out by NPS Peterborough Ltd and Wilks Head & Eve (WHE). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

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

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

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

Revaluation Reserve see Note 16	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
	£000	£000	£000	£000
Valued at current value as at:				
31 March 2018	(11,279)	(4)	79	(11,204)
31 March 2017	31,806	11	-	31,817
31 March 2016	8,100	(21)	(14,566)	(6,487)
31 March 2015	8,424	16	(30)	8,410
31 March 2014 & Prior Years	93,589	5	16,872	110,466
Total Valuation	130,640	7	2,355	133,002

* Assets Held for Sale includes values relating to Surplus Assets

24 Impairment Losses

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

During 2017/18 £5.1m (2016/17 £1.4m) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This capital expenditure has been spent on improving the Council's assets which has not significantly increased the value of each individual building and the following:

- Lot3 Waste and Environmental Contract
- Some Educate Modules supplied by Arcus not progressing.

25 Capital Expenditure and Capital Financing

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

2016/17 £000		2017/18 £000
480,939	Opening Capital Financing Requirement	509,771
23,743	Property, Plant and Equipment (Note 18)	29,234
18,258	Assets Under Construction (AUC) (Note 18)	13,166
143	Investment Properties (Note 19)	442
986	Intangible Assets (Note 20)	1,810
20,788	Revenue Expenditure Funded from Capital under Statute (REFCUS)	23,392
(638)	Correction of REFCUS funded in 2016/17 as AUC	(100)
13,556	Loans to Third Parties (Notes 29, 32)	12,309
-	Abortive costs of Renewable Energy Projects	(711)
	Sources of Finance	
(35,904)	Capital Grants & Contributions	(36,531)
(6,121)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	-
(4,979)	Capital Receipts used to repay MRP	(7,180)
-	POIS Used to Repay MRP	(4,437)
(1,000)	Capital Receipts – repayment of Loan	(1,083)
509,771	Closing Capital Financing Requirement	540,082
	Explanation of movements in year	
39,626	Increase in underlying need to borrow:	42,639
306	Assets acquired under finance leases	-
-	Abortive costs of Renewable Energy Projects	(711)
	Decrease in underlying need to borrow:	
(6,121)	MRP*	-
(4,979)	Capital Receipts used to repay MRP	(7,180)
-	POIS Used to Repay MRP	(4,437)
28,832	Increase in Capital Financing Requirement	30,311

The repayment of loans for capital expenditure has been funded in line with the Medium Term Financial Strategy, as follows:

2016/17 £000	Repayment of Loans Funded by:	2017/18 £000
6,121	Revenue Provision *	-
4,979	Capital Receipts	7,180
-	- Capital Contribution	4,437
-	- Previous Years Overprovision	661
<u>11,100</u>	Total Repayment of Loans	<u>12,278</u>

* For 2017/18 the revenue provision was £1.01.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2017/18 this expenditure is £23.4m compared with £20.8m in 2016/17. £15.0m of this REFCUS expenditure relates to Academies and a Free School. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2016/17 £000	Reconciliation of Grant Funding Applied to Capital Financing	2017/18 £000
19,447	Grants Received in year (Note 12)	24,553
-	POIS used to fund MRP	(4,437)
(425)	Grants Received in year not applied in year	(32)
221	Grants Applied from Capital Grants Unapplied Account	26
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
16,661	In Year	16,421
<u>35,904</u>	Total Grants & Contributions applied	<u>36,531</u>

2016/17 £000	Body of Grant Funding Applied	2017/18 £000
1,536	Department for Communities & Local Government	1,831
6,037	Department for Transport	7,094
15,330	Department of Education	19,294
206	Department of Health	129
-	Arts Council	378
9,689	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	3,396
<u>32,798</u>	Total Grants Applied	<u>32,122</u>
1,147	Section 106 Contributions	2,744
1,959	Third Party Contributions	1,665
<u>3,106</u>	Total Contributions applied	<u>4,409</u>
<u>35,904</u>	Total Grants & Contributions applied	<u>36,531</u>

26 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a 30 year PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement required

the contractor to construct the new Voyager secondary school (now called Queen Katherine Academy), and to extend and refurbish two existing secondary schools (Jack Hunt and Ken Stimpson). The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering. The three schools and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

Queen Katherine Academy has transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £28.2m (2016/17 £28.2m).

The Council makes an agreed payment each year which is increased each year by inflation and will be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
Payable:				
In 2018/19	989	2,210	5,096	8,295
Within two to five years	3,728	7,641	22,726	34,095
Within six to ten years	6,631	8,201	30,019	44,851
Within 11 to 15 years	10,106	6,401	31,125	47,632
Within 16 to 20 years	10,321	1,390	32,797	44,508
Total	31,775	25,843	121,763	179,381

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

31 March 2017		31 March 2018
£000		£000
(34,122)	Balance brought forward	(32,889)
1,233	Lease liability redemption in the year	1,114
(32,889)	Value of Total Liability carried forward	(31,775)
(1,114)	Short Term Liability	(989)
(31,775)	Long Term Liability	(30,786)
(32,889)	Value of Total Liability carried forward	(31,775)

27 Council Leasing Arrangements

Council as Lessee - Finance Leases

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

31 March 2017		31 March 2018
£000	Council as Lessee - Finance Leases	£000
2,303	Other Land & Buildings	2,303
1,571	Vehicles, Plant Furniture & Equipment	971
3,874	Total	3,274

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

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

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

31 March 2017		31 March 2018	
£000	Finance Lease Liabilities (net present value of minimum lease payments)		£000
526	Current		417
3,341	Non-current		2,924
19,530	Finance costs payable in future years*		19,176
23,397	Minimum lease payments		22,517

* Non-Peppercorn leases range from one to 104 years

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

31 March 2017			31 March 2018	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
880	526	Not later than one year	737	417
2,017	821	Later than one year & not later than five years	1,566	404
20,500	2,520	Later than five years *	20,214	2,520
23,397	3,867	Total	22,517	3,341

* Non-Peppercorn leases range from one to 104 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2018 the minimum payments expected to be received under these sub-leases was £318k (£146k in 2016/17).

Council as Lessee - Operating Leases

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

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

31 March 2017		31 March 2018	
£000	Council as Lessee - Operating Leases		£000
633	Not later than one year		998
2,495	Later than one year & not later than five years		3,721
7,840	Later than five years		6,812
10,968	Total		11,531

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

31 March 2017		31 March 2018	
£000	Council as Lessee - Operating Leases		£000
827	Minimum lease payments		1,046
-	Contingent rents		-
(234)	Sublease payment receivable		(189)
593	Total		857

Council as Lessor - Finance Leases

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

Council as Lessor – Operating Leases

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

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

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

31 March 2017		31 March 2018	
£000	Council as Lessor - Operating Leases	£000	
3,776	Not later than one year	3,505	
13,004	Later than one year & not later than five years	9,617	
49,901	Later than five years*	50,902	
66,681	Total	64,024	

* Above operating leases range from five to 112 years

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

28 Financial Instruments

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate (EIR) calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

2016/17		2017/18
£000	Financial Assets	£000
(874)	Interest income	(1,268)
(874)	Total for Financial Assets (Note 10)	(1,268)
	Financial Liabilities	
2,899	Interest payable relating to PFI	2,380
13,735	Interest payable on borrowings	14,205
16,634	Total for Financial Liabilities (Note 10)	16,585
15,760	Net expenditure for the year	15,317

The borrowings and investments disclosed in the Balance Sheet include the following categories in the table below.

2017 Long Term £000	2017 Current £000	Financial Instruments Balances	2018 Long Term £000	2018 Current £000
-	30	Investments - Loans and receivables	-	25
-	-	Investments - Available for Sale Assets	-	-
1,000	-	Debtors – Local Authority Mortgage Scheme	-	1,000
-	10,842	Debtors – ECS Peterborough 1 LLP	-	23,150
7,200	-	Debtors - Axiom	7,200	-
727	30,707	Debtors - Loans and receivables	587	17,451
(358,976)	(39,629)	Borrowings - Financial liabilities at amortised cost	(380,087)	(43,074)
(35,559)	-	Other Long Term liabilities - PFI and finance lease liabilities	(33,847)	-
-	(3,543)	Creditor - Financial liabilities at amortised cost	-	(3,881)

Note: Accrued interest is not required for instruments measured at EIR as this adjustment covers a full year's interest.

The Loan to ECS Peterborough 1 LLP is shown in the Debtors section of the table above, see Note 14.

29 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2018 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The financial liabilities are held with PWLB and market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used Level 2 valuations calculated using a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses the effective rate of interest for the relevant instrument. The Council uses the new borrowing rates to discount the future cash flows.

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

2016/17 Restated*		Financial Liabilities	2017/18	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(329,591)	(418,396)	PWLB debt	(329,587)	(416,961)
(29,385)	(30,212)	Non-PWLB debt	(50,500)	(50,496)
(36,285)	(43,616)	Short term borrowing	(39,442)	(46,800)
(5,248)	(5,248)	Short term creditors	(6,187)	(6,187)
(1,640)	(1,640)	Short term finance lease liability	(1,406)	(1,406)
(442)	(442)	Long term creditors	(136)	(136)
(35,116)	(50,710)	Long term PFI lease liability*	(33,711)	(48,369)
(437,707)	(550,264)	Total	(460,969)	(570,355)

* PFI lease is subject to Fair Value assessment, all other leases are included in Long term creditors and assumed at carrying value. 2016/17 values have been realigned accordingly.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates, see Note 30 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £417.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

2016/17 Restated*		Financial Assets	2017/18	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
30	30	Short Term Investments	25	25
-	-	Local Authority Mortgage Scheme - Short Term	1,000	1,000
10,842	10,842	ECS Peterborough 1 LLP Loan	23,150	23,150
7,200	7,200	AXIOM Loan*	7,200	7,200
16,427	16,427	Total Cash and Cash Equivalent	8,756	8,756
14,280	14,280	Trade Debtors	8,695	8,695
1,000	1,038	Local Authority Mortgage Scheme - Long Term	-	-
727	727	Other Long Term Loans & Receivables*	587	587
50,506	50,544	Total	49,413	49,413

* 2016/17 figures have been restated to split out Axiom Loan from Other Long Term Loans & Receivables

In December 2011 the Council advanced £1.0m with a further £1.0m in July 2013 to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS was aimed at supporting first time buyers and the advance reflected the Council's share of financial assistance provided through the provision of an indemnity. Total mortgages approved against the £2.0m advance was £1.7m.

As at 31 March 2018 the first £1m advance has been returned to the Council but an indemnity of £0.1m remains until February 2019. The second advance of £1m is due to be returned in July 2018 but the indemnity of £0.8m remains in place for a fixed five year period or until the individual mortgage advances

have been repaid. Interest is payable and received annually on the advance.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

30 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

The risk is minimised through the Annual Investment Policy, which requires that investments are not made with financial

institutions unless they meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poor's Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2017/18 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and the CCLA money market fund.

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amount deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £100m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.

- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.

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

The Council had a total of £8.0m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2018. The full amount is potentially exposed to credit risk, although as the DMO is within the scope of HM Treasury it is less of a risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2018. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment is 86p to 86.5p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2018 are £1.7m for KSF and £1.0m for HB (2016/17 £1.7m, £1.0m). Further dividends are expected in 2018/19.

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

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

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

2016/17 £000	Age of Trade Debt	2017/18 £000
4,760	Less than three months	4,444
1,135	Three to six months	552
3,035	Six months to one year	692
5,350	More than one year	3,007
14,280	Total	8,695

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Council has ready access to borrowings from the Public Works Loans Board (PWLB) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

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

The maturity analysis of financial liabilities is as follows:

2016/17 £000	Maturity analysis of financial liabilities	2017/18 £000
(25,672)	Less than one year	(38,034)
(10,679)	Between one and two years	(26,327)
(29,044)	Between two and five years	(32,515)
(372,312)	Between five and fifty years	(364,093)
<u>(437,707)</u>	Total	<u>(460,969)</u>

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

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus)

/ Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held

constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £79.2m, see Note 28, but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

The Council has £1 shares in its subsidiary company and Joint Ventures, see Note 14. The Council is not exposed to price risk through these holdings.

Foreign Exchange Risk

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

31 Inventories

<i>31 March 2017</i>	Inventories	31 March 2018
<i>£000</i>		£000
274	Westcombe Industries Stock	330
82	Other Stock Balances	106
<u>356</u>	Total	<u>436</u>

32 Debtors

<i>Restated 31 March 2017</i>	Debtors	31 March 2018
<i>£000</i>	(Each item is net of impairment)	£000
5,067	Central Government Departments	3,145
1,620	Cross Keys Homes	2,186
5,851	Cambridgeshire & Peterborough CCG	9,586
7,878	Council Tax Arrears	7,834
1,044	NNDR Arrears	1,943
4,720	Payments in Advance	6,896
607	Section 106 Debtors	626
23,893	General Debtors	27,169
<u>50,680</u>		<u>59,385</u>
10,842	Outstanding Balances on Loans Granted ECS Peterborough 1 LLP (Notes 14, 25)	23,150
-	Local Authority Mortgage Scheme Loan	1,000
<u>61,522</u>	Total Debtors	<u>83,535</u>

33 Current Intangible Assets

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK energy-saving and carbon emissions reduction scheme which commenced in April 2010. The Council is holding CRC allowances with a value of £285k as at 31 March 2018 (31 March 2017 £244k).

It is expected that £166k of the balance will be surrendered by 31 October 2018 to meet the Council's reported CO₂ emissions for 2017/18 in accordance with the requirements of the CRC Scheme. The Council has estimated its liability under the scheme to be £166k (2016/17 estimated at 31 March 2017 £205k, actual £176k) and has included a provision in the accounts for this, see Note 34.

34 Provisions

Provision Description	31 March 2017	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2018
	£000	£000	£000	£000	£000	£000
Short Term Provisions						
<u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain.	(751)	-	32	423	(444)	(740)
<u>Charges from suppliers which are uncertain or in dispute</u> - these represent charges from suppliers that are of an uncertain amount and timing	(78)	(267)	78	-	-	(267)
<u>Carbon Reduction Commitment Scheme (CRC)</u> - the obligation of the Council for the purchase of CRC allowances for 2017/18	(205)	(166)	176	29	-	(166)
<u>Non Domestic Rate Appeals Provision</u> – see Collection Fund for further details	(4,587)	(2,118)	1,180	-	-	(5,525)
Total Short Term Provisions	(5,621)	(2,551)	1,466	452	(444)	(6,698)
Long Term Provisions						
<u>Insurance Claims</u> – see above comments	(203)	(383)	-	-	444	(142)
Total Short and Long Term Provisions	(5,824)	(2,934)	1,466	452	-	(6,840)

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35 Creditors

31 March 2017	Creditors	31 March 2018
£000		£000
(901)	Council Tax Overpaid	(961)
(1,094)	Council Tax Prepaid	(1,037)
(2,398)	NDR Overpaid	(3,234)
(1,284)	NDR Prepaid	(949)
(5,363)	NDR Preceptors	(5,701)
(10,847)	Deposits / Receipts in Advance	(13,132)
(3,413)	Accrual Accumulated Absences (Note 16)	(3,286)
(1,640)	Short Term Finance Lease Liabilities (Notes 26,27)	(1,406)
(38,580)	General Creditors	(39,291)
(65,520)	Total Creditors	(68,997)

36 Capital Grants Receipts in Advance

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

31 March 2017	Capital Grants Receipts in Advance	31 March 2018
£000		£000
(2,768)	Department of Education	(1,653)
(1,384)	Department for Transport	(763)
(625)	Homes and Communities Agency (HCA)	(625)
(413)	Other Third Party Contributions	(819)
(149)	Department of Health	(34)
(22,449)	Section 106 Contributions	(16,910)
(83,364)	Total Capital Grants Receipts in Advance	(20,806)

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000	Cash Flow Statement – Operating Activities	2017/18 £000
(505)	Interest Received	(727)
16,114	Interest Paid	19,628

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2016/17 £000	Cash Flow Statement – Investing Activities	2017/18 £000
55,571	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	58,853
20,494	Other Payments for Investing Activities	24,248
(3,669)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(4,422)
(19)	Proceeds from Short-Term Investments	(5)
72,377	Net cash flows from investing activities	78,674

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2016/17 £000	Cash Flow Statement – Financing Activities	2017/18 £000
(30,204)	Cash Receipts of Short & Long Term Borrowing	(24,215)
1,826	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,639
(3,272)	Other Payments for Financing Activities	(7,614)
(31,650)	Net cash flows from financing activities	(30,190)

40 Cash Flow Statement – Cash and Cash Equivalents

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

2016/17	Cash Flow Statement – Cash and Cash Equivalents	2017/18
£000		£000
13,600	Short Term Cash Investments	8,000
43	Petty Cash & Imprest	48
2,784	Bank Current Accounts	708
16,427	Total Cash & Cash Equivalents	8,756

41 Trust Funds

The Council administers five trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2018 was £16,940 (£16,898 at 31 March 2017). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £19,256 at 31 March 2018 (£17,412 at 31 March 2017) all invested internally.

The Council also has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 204 adults and older people (196 at 31 March 2017). The total Client funds at 31 March 2018 was £2.0m (£1.5m at 31 March 2017).

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

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

42 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are identified as follows:

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example land transferred to the Council which the Homes and Communities Agency (formerly known as the Housing Corporation) has an interest in.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Group) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North

Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m.

43 Accounting Standards that have been Issued but have Not Yet Been Adopted

The standards which have been introduced by the 2018/19 Code and will be effective from 1 April 2018 are as follows:

- IFSR 9 Financial Instruments introduces a new model for financial assets including new classifications and a new expected credit loss impairment model. It will impact on the classifications used in the Financial Assets disclosure, but due to the high credit quality adopted by the Council for its investment counterparties is not expected to result in any material impairment charges.
- IFRS 15 Revenue from Contracts with Customers brings in new rules for the timing of the recognition of income from contracts with service recipients. This is not expected to have a material impact on the Council's financial statements
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This will not have a material impact on the Council's financial statements.
- The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value. This will not have an impact on the Council's financial statements as the Council does not

produce group accounts which incorporate companies with relevant debt instruments.

44 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 77, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status. A further seven school transferred during 2017/18 and five more transferred on 1 April 2018. Current government aspirations are to encourage all remaining maintained schools to convert to Academy status in future years, although this will not be mandated. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See following table for analysis of the type of schools in Peterborough and its surrounding area.

Type and number of Schools	Community	Controlled	Aided	Foundation Trust	Academies	Total
Nursery	1	-	-	-	-	1
Primary Schools	25	5	7	1	19	57
Secondary Schools	1	-	1	1	9	12
All through Schools	-	-	-	-	2	2
Special Schools	4	-	-	-	1	5
Total	31	5	8	2	31	77

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

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2015 of £9.5m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2018. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an

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

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 54.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 19, page 52.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Further information on lease arrangements in place can be found in Notes 26 and 27, pages 56 and 57.

- The Council has eight arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons and when consolidated in total, the eight entities are not material.
 - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 13.
 - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
 - Blue Sky Peterborough (BSP) – in 2011/12 the Council established an Energy Services Company, BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.
 - Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough

Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.

- Empower Peterborough Community Interest Company – was incorporated during 2015/16 to install solar panels on homes in Peterborough free of charge with occupants benefitting from energy savings. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
- The Mayor of Peterborough’s Charity Fund – the Mayor of the Council is the chair of the charity set up to raise funds for organisations based within the City. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 13.
- Medesham Homes LLP – was incorporated during 2016/17 to facilitate the delivery of new housing, initially in Peterborough. It will seek to deliver affordable rented housing at first, but could deliver housing of other types and tenures in future. The LLP is a Joint venture between the Council and Cross Keys Homes and has recently funded construction on its first project. Due to the nature

of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.

- NPS Peterborough 1 Ltd – was incorporated in 2015/16 as a joint venture with NPS Property Consultants Ltd into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
- In common with many local authorities the Council has received an application for mandatory business rate relief from a NHS trust. The Council has considered this against its

accounting policies and the reporting requirements of the Code. Initial advice from the Local Government Association and subsequent opinion from leading counsel has determined that the claim has no basis and therefore no disclosure is required elsewhere in the Statement of Accounts.

45 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £343k for every year that useful life is reduced, which equates to a 4.1% increase in this year's depreciation charge.
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £445k, which is 0.07% of the Council's total asset base.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	amount is then estimated having regard to the application of the concept of materiality.	7% of the Councils asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.</p> <p>The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.</p>	<p>The effects on net pensions liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> • a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £75m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £9m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £66m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2018 the Council had a balance of £17.8m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 15% or £2.7m was appropriate.	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £262k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £149k would be required.</p>
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rates valuations from the 2010 List which applies to bills up to 2016/17 has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date. A change in the Valuation Office process for appealing against rates bills means similar data is not available for appeals against rates valuations from the 2017 list which applies to rates bills for 2017/18. An estimate has been calculated using the MHCLG methodology applied in setting NDR budgets, which has been amended to be more applicable to the Council.	<p>There are different classes of business, each of which have had historically different success rates of appeal. If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount then the provision would need to be increased by £432k. This equates to a 13% increase in the estimated provision held in the Council's Balance Sheet.</p> <p>If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £529k. This equates to a 25% increase in the estimated provision held in the Council's Balance Sheet.</p>

46 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued by 31 July 2018.

The Collection Fund and Notes

31 March 2017	Collection Fund Statement	Notes	31 March 2018		
£000			Business Rates £000	Council Tax £000	Total £000
	Income				
(79,093)	Council Tax Receivable		-	(84,430)	(84,430)
(99,085)	Business Rates Receivable	3	(97,877)	-	(97,877)
	Contribution to Previous Year's Deficit:				
(841)	Peterborough City Council	4	(1,158)	-	(1,158)
(17)	Cambridgeshire & Peterborough Fire Authority		(24)	-	(24)
(859)	Central Government		(1,182)	-	(1,182)
(179,895)	Total Income		(100,241)	(84,430)	(184,671)
	Expenditure				
	Precepts:				
64,038	Peterborough City Council	4	-	68,188	68,188
3,545	Cambridgeshire & Peterborough Fire Authority		-	3,665	3,665
9,908	Cambridgeshire Police Authority		-	10,249	10,249
77,491	Total Precepts		-	82,102	82,102
	Business Rates Share:				
48,649	Peterborough City Council	4	43,454	-	43,454
985	Cambridgeshire & Peterborough Fire Authority		887	-	887
48,849	Central Government		44,341	-	44,341
98,483	Total Business Rates Shares		88,682	-	88,682
	Charges to Collection Fund:				
3,831	Increase / (Decrease) in Bad Debt Provision		379	1,316	1,695
(3,166)	Increase / (Decrease) in Provision for Appeals		1,914	-	1,914
275	Cost of Collection		268	-	268
1,910	Transitional Payment Protection		5,388	-	5,388
323	Renewable Energy Disregard	4	326	-	326
3,173	Total Charges to Collection Fund		8,275	1,316	9,591
	Contribution to Previous Year's Estimated Surplus:				
1,494	Peterborough City Council	4	-	173	173
84	Cambridgeshire & Peterborough Fire Authority		-	10	10
238	Cambridgeshire Police Authority		-	27	27
1,816	Total Contribution to Previous Year's Estimated Surplus		-	210	210
1,068	(Surplus) / Deficit Arising During the Year		(3,284)	(802)	(4,086)
	Collection Fund Balance				
892	(Surplus) / Deficit Brought Forward 1 April		2,311	(351)	1,960
1068	(Surplus) / Deficit Arising During the Year		(3,284)	(802)	(4,086)
1,960	(Surplus) / Deficit Carried Forward 31 March		(973)	(1,153)	(2,126)
	Allocated to:				
841	Peterborough City Council		(477)	(959)	(1,436)
7	Cambridgeshire & Peterborough Fire Authority		(10)	(51)	(61)
(44)	Cambridgeshire Police Authority		-	(143)	(143)
1,156	Central Government		(486)	-	(486)
2,312	Total		(973)	(1,153)	(2,126)

1 Collection Fund Overview

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

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

2 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	34,568	23,045
B	7/9	20,559	15,990
C	8/9	13,706	12,183
D	9/9	7,710	7,710
E	11/9	4,369	5,340
F	13/9	1,873	2,705
G	15/9	934	1,557
H	18/9	70	140
Total		83,789	68,670

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc.; and the Council Tax Support Scheme and non-payment which are at the discretion of each council. The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 54,879 (54,100 for 2016/17).

3 Non-Domestic Rates

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

For 2017/18 the total non-domestic rateable value at the year-end is £234.8m (£231.2m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, with the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

4 Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below.

2016/17	Council Precept	NDR	Council Tax	2017/18 Total
£000		£000	£000	£000
(112,687)	Precept / Share	(43,454)	(68,188)	(111,642)
(340)	Estimated Renewable Energy Disregard (RED)	(279)	-	(279)
17	Difference between actual & estimated RED	(47)	-	(47)
-	Adjustment to prior year additional growth pilot income.	38		38
(653)	Share of Prior Year Estimated Deficit / (Surplus)	1,158	(173)	985
242	Reverse actual share prior year Deficit / (Surplus)	(1,132)	291	(841)
841	Share of Deficit / (Surplus)	(477)	(959)	(1,436)
(112,580)	Total (Note 12)	(44,193)	(69,029)	(113,222)

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices are mainly the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost. However some non-current assets and financial instruments are revalued.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received.

Revenue from selling goods is recognised when the significant risks and rewards of ownership pass to the purchaser and economic benefits or service potential flow to the Council.

Service revenue is recognised when the percentage completion of the transaction can be measured and it is probable that the Council will receive economic benefits or service potential.

Supplies are recorded as expenditure when they are consumed. If there is a gap between supplies being received and their use, they are carried as inventories on the Balance Sheet.

Services (including by employees) are recorded as expenditure when the services are received, rather than when payments are made.

Interest on borrowing and investments is accounted for using the effective interest rate of the financial instrument, not contract payments.

A debtor is recorded in the Balance Sheet where revenue has been recognised but cash not received.

A creditor is recorded in the Balance Sheet where expenditure has been recognised but cash not paid.

The balance of debtors is written down and a charge made to revenue for any income that might not be collected.

Cash

Cash in hand and deposits with financial institutions repayable without penalty on 24 hours' notice or less.

Cash Equivalents

Cash equivalents are highly liquid investments. They mature within three months of acquisition. They are readily convertible to a known cash value. There is an insignificant risk the value on conversion will change.

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made:

- when required by proper accounting practices
- to provide more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change in accounting policies is made, it is applied retrospectively (unless stated otherwise). This is done by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Changes in accounting estimates are accounted for in current and future accounting periods. Changes in accounting estimates do not give rise to a prior period adjustment.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged the cost of holding non-current assets: These charges are:

- depreciation
- revaluation and impairment losses (if there are sufficient accumulated gains in the Revaluation Reserve, such losses are written off against these)
- amortisation of intangible assets.

The Council does not raise Council Tax to fund any of these charges.

The Council must however make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

Charges to the General Fund for non-current assets are replaced by the MRP. There is an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

Council Tax and Business Rates

The Council is a billing authority and collects business rates (NDR) and council tax.

It collects council tax on behalf of itself and major preceptors. The major preceptors are Cambridgeshire and Peterborough Fire Authority and Cambridgeshire Police and Crime Commissioner.

The Fire Authority and the Government are entitled to shares of business rates income.

The Council must maintain a separate Collection Fund. The Fund accounts for the collection and distribution of amounts due in respect of council tax and business rates.

Under legislation billing authorities, major preceptors and Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than forecast.

Accounting for Council Tax and Business Rates

The Council's share of council tax and business rates income is included in the Comprehensive Income and Expenditure Statement (CIES). However, regulations determine the amount of council tax and business rates that must be included in the Council's General Fund. The difference is recognised in the Collection Fund Adjustment

Account. The difference is also included as a reconciling item in the MIRS.

The Balance Sheet includes the Council's share of the year-end balances of council tax and business rates. These are arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Termination Benefits

Termination benefits reflect a decision by the Council to terminate an officer's employment before the normal retirement date. They may also reflect an officer's decision to accept voluntary redundancy. Termination benefits are charged in the appropriate service segment in the CIES.

The benefits are recognised when the offer of those benefits is irrevocable or when the Council recognises restructuring costs whichever is the earlier.

Termination benefits may involve the enhancement of pensions. Statutory provisions require the General Fund Balance to be charged with the amount payable to the pension fund or pensioner in the year. This may be different from the amount calculated under accounting standards. In the MIRS appropriations are made to charge the General Fund Balance as required by statute.

Post-employment Benefits

Employees of the Council may be members of three separate pension schemes:

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

- The NHS Pension Scheme, administered by NHS Pensions.

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

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet. The People and Communities line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The People and Communities and Public Health lines are charged for the NHS scheme.

The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

Fund liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future retirement benefits earned to date by employees.

The assessment uses assumptions about mortality rates, employee turnover and future earnings of current employees.

Scheme liabilities are discounted to their current value. The discount rate is set by the actuary. It mirrors the yield on high quality corporate bonds.

The fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The net pensions liability is the difference between fund liabilities and assets. The change in the net pensions liability is analysed between service cost and remeasurements.

The service cost element is the change in current and past service costs plus a net interest change.

Pension liabilities increase over the accounting period as scheme members earn increased benefits. This is the current service cost. Current service cost is charged in the CIES to the services for which employees worked.

Past service cost is the increase in liabilities as a result of a scheme amendment or curtailment. The change applies only to benefits earned in previous accounting periods. Past service cost is charged to Resources in the CIES.

Net interest on the net defined benefit liability is calculated by applying the discount rate to the net liability during the accounting period. It is charged below the cost of services in the CIES as part of the deficit in the provision of services.

Remeasurements are the return on plan assets and actuarial gains and losses. Remeasurements are charged below the deficit on the provision of services in the CIES.

The return on plan assets excludes the net interest on liabilities that is already included in the service element.

Actuarial gains and losses are differences from past actuarial assumptions or changes in the assumptions

Employers' contributions to the pension fund are not accounted for as an expense. However statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year. The MIRS therefore includes a transfer from the Pension Reserve. The transfer

makes the adjustment from the accounting basis outlined above to the statutory requirement.

The negative balance of the Pensions Reserve is the benefit to the Council of accounting for pensions on a cash basis.

Events after the Balance Sheet Date

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.

But for three stepped rate loans, the amount charged to revenue is based on the effective interest rate.

Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.

For these loans the difference between the annual charge and the cash paid is reversed out in the MIRS.

Gains and losses on the repurchase or early settlement of borrowing are charged to the Financing and Investment Income and Expenditure line in the CIES.

Repurchase may be part of restructuring the Council's loans portfolio. Restructuring involves the modification or exchange of existing instruments.

Any premium or discount on redemption of loans is added to the amortised value of the replacement loan. Premiums and discounts are written down to the CIES. This is done by adjusting the effective interest rate. Regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the charge over the remaining term of the loan replaced.

The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount credited to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The carrying value for most loans made by the Council is outstanding principal repayable plus accrued interest. Interest credited to the CIES is the amount payable under the agreement.

When soft loans are made, a loss is recorded in the CIES. The loss is charged to the appropriate service line. The loss is the present value of the interest that will be foregone over the life of the instrument. The amortised value is therefore lower than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES. The effective rate of interest is higher than the actual rate, increasing the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the accounting period. The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Assets are identified as impaired if there is a likelihood arising from a past event that payments due under the contract will not be made. The asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows. The calculation is made by discounting at the asset's original effective interest rate.

Any losses that arise on the derecognition of an asset are charged to the Financing and Investment Income and Expenditure line in the CIES.

Government Grants and Contributions

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

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

This applies whether the grants and contributions are paid on account, by instalments or in arrears. Grants and contributions are held as creditors in the Balance Sheet until conditions have been satisfied.

Grants and contributions are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Once conditions are satisfied, the grant or contribution is credited to the CIES. For attributable revenue grants and contributions this is to the relevant service line. For non ring-fenced revenue grants and all capital grants this is the Taxation and Non-specific Grant Income and Expenditure line.

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

Intangible Assets

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

Internally generated assets are capitalised where:

- It is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available)
- The Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset. Capitalisation is restricted to the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. This is the case with the Mayor's car licence plate.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are charged to the relevant service line in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures which require it to prepare group accounts if material. In the Council's own single-entity accounts, the interests in companies and

other entities are recorded as financial assets at cost, less any provision for losses.

Investment Properties

Investment properties are used solely to earn rentals and capital appreciation. Property is not investment property if:

- used to deliver services
- used to produce goods
- held for sale.

Investment properties are measured initially at cost. They are subsequently carried at fair value. Fair value is the price that would be received selling the asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the CIES and increase the General Fund Balance.

Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the CIES. Statute prevents such gains and losses having an impact on the General Fund Balance. They are transferred out of the General Fund Balance in the MIRS. They are transferred to the Capital Adjustment Account. Sale proceeds greater than £10,000 are transferred to the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership

of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Leases may comprise both land and buildings. The land and buildings elements are classified separately.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment is recognised on the Balance Sheet at fair value at the start of the lease. The present value of the minimum lease payments is used if lower.

The asset is matched by a liability to pay the lessor. Initial direct costs of the Council are added to the carrying amount. The lease liability is written down by any premium paid on entry.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. But depreciation is charged over the lease term if:

- the lease term if this is shorter than the asset's estimated useful life, and also

- ownership of the asset does not transfer to the Council at the end of the lease period.

The Council does not raise Council Tax to cover depreciation or revaluation and impairment losses. A prudent contribution is made from revenue funds under statutory requirements.

The difference is accounted for by a transfer from the MIRS to the Capital Adjustment Account.

Operating Leases

Rentals are charged to the relevant service line in the CIES. Charges are spread equally over the life of the lease. The pattern of actual payments under the lease may be different.

Council as Lessor

Finance Leases

At the start of the lease the carrying amount of the asset is written out of the balance sheet. The write out is charged to the Other Operating Income and Expenditure line in the CIES.

The Council's net investment in the lease is credited to the same line and a long-term debtor asset is created in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease debtor (any premiums received are also used to write down the lease debtor) and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the CIES.

A gain on disposal is credited to the CIES. Statute does not allow the gain to increase the General Fund balance. The gain is required to be treated as a capital receipt.

A premium may be received on the grant of a lease. Any premium is transferred out of the General Fund Balance to the Capital Receipts Reserve in the MIRS.

A finance lease may be settled by the payment of rentals in future financial years. The income is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS.

The capital receipt element of rentals writes down the lease debtor. Deferred capital receipts for the disposal are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under capital financing. Write-offs are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

For an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the CIES.

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example if there is a premium paid at the commencement of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset. The costs are charged over the lease term in the same way as rental income.

Overheads and Support Services

The costs of overheads and support services shown as part of the Directorates that they are managed within in accordance with the Council's arrangements for accountability and financial performance.

Property, Plant and Equipment (PPE)

Assets that are classified as Property, Plant and Equipment if they:

- have physical substance
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes
- are expected to be used during more than one financial year.

Recognition

The acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided:

- it is probable that future economic benefits or service potential will flow to the Council
- the cost of the item can be measured reliably.

Repair and maintenance expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial

substance and will not lead to a variation in the cash flows of the Council.)

Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. Any difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the CIES.

If the donation has been made conditionally the gain is held in the Donated Assets Account until conditions are satisfied. Gains credited to the CIES are transferred out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the measurement bases set out below.

Infrastructure is carried at depreciated historical cost. Infrastructure assets include roads, bridges and streetlights. Infrastructure is classed as inalienable assets. Expenditure on infrastructure is only recoverable by continued use of the asset. There is no prospect of sale or alternative use.

Infrastructure in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed. It is not broken down on an asset by asset basis.

Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance. These have been recorded in the Council's fixed asset register on an infrastructure asset type basis rather than by individual asset. Additions and enhancements from projects may relate to a number of infrastructure assets.

The infrastructure balance has been reduced annually by depreciation. This has been calculated using the Council's depreciation policy.

- Community assets and assets under construction are measured at historical cost.
- All other assets are measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use (EUV).

For surplus assets the current value measurement base is fair value. This is estimated at highest and best use from a market participant's perspective

There may be no market-based evidence of current value because of the specialist nature of an asset. If so depreciated replacement cost (DRC) is used as an estimate of current value.

Some non-property assets have short useful lives or low values. Depreciated historical cost basis is used as a proxy for their current value.

Revaluation

Assets carried at current value are valued regularly. This ensures their carrying amount is not materially different from their current value at the end of the accounting period. As a minimum revaluation takes place every five years.

Increases in valuations are unrealised gains. They are credited to the Revaluation Reserve.

Gains that reverse a previous loss charged to a service are credited to the surplus or deficit on services in the CIES.

Decreases in value

The carrying amount is written down against any balance of gains for that asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

The Revaluation Reserve was implemented in April 2007. It only recognises gains since then. Gains before have been consolidated into the Capital Adjustment Account.

Impairment

If the recoverable amount of an asset is materially different from its carrying value, an impairment loss is recognised.

The value is written down against any gains for the asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

If the loss is later reversed it is credited to the relevant service line(s) in the CIES. The reversal is up to the amount of the original loss. An adjustment is made for depreciation that would have been charged if the loss had not been recognised.

Disposal and Decommissioning

Assets held for sale or PPE may be sold or decommissioned. The carrying amount in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES. This transfer is part of the gain or loss on disposal. In the case of academy school transfers, the loss on disposal for nil consideration is charged to the Financing and Investment Income and Expenditure line in the CIES.

An additional transfer will be made of the difference between the carrying value and the disposal proceeds. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The balance of receipts remains within the Capital Receipts Reserve. They can then only be:

- used for new capital investment

- set aside to reduce the Council's underlying need to borrow (the capital financing requirement)

Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Depreciation

Depreciation is provided on all PPE assets. The depreciable amount is systematically allocated over an asset's useful life.

An exception is made for assets without a determinable finite useful life. These include:

- freehold land
- certain Community Assets
- assets that are not yet available for use
- assets under construction.

Basis of depreciation

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a Valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives.

Where a PPE asset has major components whose individual cost is significant compared to total cost the components are depreciated separately.

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

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements for the Council to receive services. The PFI contractor is responsible for making available the PPE needed to provide the service. The Council is deemed to control the services that are provided under its PFI scheme. Ownership of the PPE will pass to the Council at the end of the contract for no additional charge. The Council therefore carries the assets used under the contract on its Balance Sheet as part of PPE.

The original recognition of these assets was at fair value. Fair value was calculated on the cost of purchasing the PPE. A liability for amounts due to the scheme operator for the capital investment was also recognised.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as PPE owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES

- contingent rent – increases in the amount to be paid for the property - these are debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator - the profile of write-downs is calculated using the same principles as for a finance lease.

Provisions

Provisions are made:

- where an event has taken place that gives the Council a legal or constructive obligation
- that the obligation probably requires settlement by a transfer of economic benefits or service potential
- a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES. Provisions are charged in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Payments eventually made are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Some or all of the payment required to settle a provision may be expected to be recovered from another party (e.g. from an insurance claim). This is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of resources will be required or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement

and employee benefits. These reserves are not usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements.

Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

PPE assets remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled schools) have not been incorporated into the Council's Balance Sheet.

The Council transfers academy school assets on a 125-year lease in accordance with national guidelines. As such they are subject to lessor finance lease policies (see leases policy).

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Glossary

Accounting Period - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

Accruals - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

Accumulating Compensated Absences Adjustment Account – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

Amortisation – The reduction in the useful economic life of a long term intangible asset. This may arise with the passing of time. It may also arise through obsolescence or technological changes.

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

Balance Sheet – This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of the Council. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a

shortfall in income. The Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget - A statement of a Council's plans for net revenue and capital expenditure.

Business Rates Retention Scheme – the name given to the system of funding local authorities through the local government finance settlement. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services. The Government plans to introduce 75% retention by councils in 2019/20.

Capital Adjustment Account – This account was created at the end of financial year 2006/07. Its opening balance was made up of the balance on the Fixed Asset Restatement Account (FARA) and the Capital Financing Account.

Capital Charge - A charge to service revenue accounts for the cost of non-current assets used in the provision of their services.

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

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

Capital Receipt - Proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to

finance new capital expenditure, repay debt or fund transformational change that lead to future revenue savings.

Cash Equivalent – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

Code of Practice on Local Authority Accounting – The statutory accounting code published by CIPFA.

Collection Fund - A statutory fund in which a Council records transactions for Council Tax and business rates.

Community Assets - Assets that the local Council intends to hold in perpetuity. A useful life is not calculated for these assets. They are likely to have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income and Expenditure Statement or CIES - Reports the income and expenditure for all the Council's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

Contingent rent (under a lease) – Additional rent that is not fixed in the lease terms.

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

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

Current Liability - An amount which will become payable or could be called in within the next accounting period.

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

Debtor - An amount owed to the Council within the accounting period, but not received at the Balance Sheet date.

Dedicated Schools Grant (DSG) – Grant received from Education Funding Agency to fund schools related expenditure.

Deemed Capital Investment (of a finance lease)- A calculation of the capital cost of an asset purchased by a finance lease. A minimum revenue provision must be made to redeem the cost.

Deferred Capital Receipts Reserve - Holds the gains recognised on the disposal of non-current assets for which cash settlement has not been made.

Defined Benefit (pension scheme) – A pension scheme where benefits are determined by years of service and salary earned.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term asset. This arises from use, time or obsolescence through technological or other changes.

Derecognition – The removal of an asset or liability from the balance sheet.

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

Effective Interest Rate (EIR) – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

Fair Value – Fair value is used for setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financing Charges - Annual charges to the Comprehensive Income and Expenditure Statement to cover interest and principal of loans raised for capital expenditure.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. In a finance lease the present value of the minimum lease payments plus any initial payment is substantially the fair value of the leased asset.

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

Financial Instrument – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

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

General Fund - The main fund of the Council that meets the cost of most services provided by the Council. The services are paid for from Council Tax, business rates, government grant and other income.

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

Heritage Assets – A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost – The nominal or original cost.

IAS 19 - This is an International Accounting Standard now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in the financial accounts. It is based on the principle of recognising pension costs in the financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

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

Infrastructure Assets - Carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

Investment Properties – Properties that are used solely to earn rentals or for capital appreciation.

Lessee – The holder or tenant of a lease.

Lessor – The person allowing occupation or use of property by a lease.

Loan Notes – A form of vendor finance or deferred payment, in which the purchaser acts as a borrower, agreeing to make payments to the holder of the transferable loan note at a specified future date.

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

Minimum Lease Payments – Those lease payments that the Council is or can be required to make.

Minimum Revenue Provision (MRP) - This is the minimum amount that must be charged to the Council's Comprehensive Income and Expenditure Statement. It must be set aside to repay debt. MRP is charged in line with the life of the asset for which borrowing was undertaken.

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Non-current asset - An asset which has value beyond one financial year.

Non-distributed costs – Discretionary retirement benefits and impairment losses on assets held for sale.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

NDR Levy Payment – The Council pays a 6% levy to the government of its share of business rates income that exceeds settlement assumptions.

NDR Tariff Payment – at the outset of the business rates retention scheme the Council was calculated as having a higher business rate baseline compared to its baseline funding level, leading to a tariff payment.

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

Precept - The amount a local authority that cannot levy a council tax directly on the public requires it to be collected on its behalf. The Council collects precepts on behalf of Cambridgeshire Police and Crime Commissioner, Cambridgeshire and Peterborough Fire and Authority and 25 Parish Councils.

Projected Unit Method - A method for calculating pension costs which takes full account of future salary increases. It is the method prescribed in relevant Accounting Standards.

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

Prudential borrowing – Borrowing for capital purposes in accordance with the Prudential Code on affordability.

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

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

Revenue Expenditure - The day-to-day running costs the Council incurs in providing services (as opposed to capital expenditure).

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

Service cost (for pension liabilities) – part of the change in pension liabilities over the year.

Short term employment benefits – A benefit that will be settled within 12 months of the year-end. The benefits include salaries, sick leave and annual holiday entitlement.

Usable Reserves – Those reserves that can be applied by the Council to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Table of Acronyms

BCF	Better Care Fund	EFA	Expenditure and Funding Analysis
BSP	Blue Sky Peterborough	EIR	Effective Interest Rate
CAA	Capital Adjustment Account	IAS	International Accounting Standard
CCC	Cambridgeshire County Council	LEP	Local Enterprise Partnership
CIES	Comprehensive Income and Expenditure Statement	LGA	Local Government Association
CIC	Community Interest Company	LGPS	Local Government Pension Scheme
CIPFA	Chartered Institute of Public Finance and Accountancy	LLP	Limited Liability Partnership
CMT	Corporate Management Team	MHCLG	Ministry of Housing, Communities and Local Government
CPCA	Cambridgeshire and Peterborough Combined Authority	MIRS	Movement in Reserves Statement
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group	MTFS	Medium Term Financial Strategy
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust	NDR	Non-domestic Rate
CRC	Carbon Reduction Commitment Energy Efficiency Scheme	PFI	Private Finance Initiative
DfE	Department for Education	PIP	Peterborough Investment Partnership
DSG	Dedicated Schools Grant	PPE	Plant Property and Equipment
DMO	Debt Management Office	PWLB	Public Works Loan Board
		REFCUS	Revenue Expenditure Funded from Capital under Statute
		RR	Revaluation Reserve

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(Draft) Annual Governance Statement – 2017/18



(Draft) Annual Governance Statement

The Annual Governance Statement will be discussed and approved by Audit Committee on 16 July 2018. The draft version is included here.

Scope of Responsibility

Peterborough City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

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

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Acting Director of Corporate Resources):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and
- Is a key member of the Corporate Management Team.

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2018 / 2019 to address these issues will be reported regularly to Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

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

The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

The key elements of the Councils governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is covered by the Code of Conduct.
- Third party challenge to the Councils operations is through a publicised complaints procedure.
- Confidential concerns can be raised through a Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raise awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which sets out the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.
- The Acting Director of Corporate Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work towards Public Sector Internal Audit Standards.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Interim Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives.
- Council meetings are open to every citizen.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, Fletton Quays residential proposals.
- The Council is now a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Consideration of the budget took place at Full Council on 7 March 2018. Due to increasing cost pressures on Adult Social Care the Council Tax recommendation again resulted in a specific 3% increase to be implemented to finance expenditure in this area.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management needs to be embedded and this has been enhanced by the creation of a Risk Management Board to ensure consistent treatment and action.
- Our Efficiency Strategy 2016/17 – 2019/20 sets out how we are delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- Significant changes to services are supported by an Equality Impact Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2018 / 2019 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council in order to discharge its functions on Health operates a dedicated Health Scrutiny Committee.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.

- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and is seeking to also achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service, complying with best practice. Findings are reported to Audit Committee.
- Certain key partners who provide essential council services are subject to independent oversight by Committees.
- The Constitution is reviewed on an annual basis.

Principle F: Managing risks and performance through robust internal control and strong public management

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members are inducted prior to the Annual Meeting.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to external audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.

- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities interests.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2017 / 2018, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed, by Audit Committee.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

An External Audit of the accounts year ended 31 March 2017 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers were of high quality.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address.

Table 1 below sets out the governance issues which were reported on in 2016 / 2017 and the progress in addressing them.

Table 1: 2016 / 2017 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.1	INNOVATION AND GOVERNANCE Lead: Director of Governance	<p>Gap: Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements.</p> <p>Proposal: An Organisation Change Board has been created to drive forward the transformation programme with representatives from all departments</p>	<p>Arrangements have been redefined to encompass workstream leads from key areas of the business to drive forward new ways of working. The agile working group sits under the Programme Manager with accountable leads responsible for the move to Sand Martin House. Arrangements have been put in place to strengthen the Programme Management Office to oversee corporate change.</p> <p>Building blocks have been put in place but outcomes cannot be fully quantified at present. Work will continue throughout 2018.</p>
17.2	OPERATING POWERS Lead: Director of Governance	<p>Gap: Changes in statutory duties; ongoing changes in the work of local government and the role in relation to other agencies means that the Council needs to monitor the scope of duties, powers and expectations.</p> <p>Proposal: Regular reviews will continue of the business of the Council; and the Constitution which drives it. Reports through Corporate Management Team to Cabinet and various Committee will ensure that legal implications are fully appraised.</p>	<p>The Council's Constitution is kept under close review and amended where required, with reports on significant changes being made are reported through to the Governance Board, Audit Committee and Full Council and then implemented.</p> <p>(ACTION COMPLETE)</p>

17.3	NEW ARRANGEMENTS Lead: Director of Governance	Gap: Establishing and maintaining the Combined Authority (CPCA). Proposal: Separate arrangements have been set up for the governance and constitutional arrangements. The Council will look to develop effective partnership relationships with the new authority. The Leader of the Council is a member of the Combined Authority. Council officers will contribute to appropriate projects and working groups.	CPCA has been operational since March 2017. Regular feedback / briefings are provided to the Council on its work / deliverables etc. (ACTION COMPLETE)
17.4	SCHOOL ATTAINMENT Lead: Corporate Director: People and Communities	Gap: Damage to reputation through poor performance in published league tables compared to the national average. Proposal: Improvement plans and a programme of training has been developed and there is ongoing monitoring to look at the effectiveness of this in raising attainment in Peterborough schools.	The improvement programme is now in delivery phase. A new Service Director has been appointed. Early analysis predictions suggest improved attainment again for the 2018 academic year results at KS2. However, any increases in attainment levels are too early to fully quantify so the action will continue to be monitored throughout 2018.
17.5	SCHOOL PLACES Lead: Corporate Director: People and Communities	Gap: Demographic changes and new developments are placing increased strains on the schools places available. Proposal: Work is undertaken to model availability and reports are referred to Scrutiny and Cabinet for decisions.	An updated school organisation was presented to Children and Young People Scrutiny Committee in March 2018. All demand has been met but there remains an ongoing pressure in Infant year groups and a longer term challenge in Secondary schools. A full plan allows for these challenges. (ACTION COMPLETE)

17.6	WORKFORCE PLANNING Lead: Director of Governance	Gap: The Council is undergoing tremendous organisational change. This will create significant workforce issues around having the right skills, people and employee capacity. The Council will require employees to have different skill sets that underpin a transformed business model. Proposal: Human Resources have developed a series of training and workforce development schemes to ensure that the organisation is future proof. This is closely linked in with 1 above.	Sharing of officers and services between Peterborough City Council and Cambridgeshire County Council has been developed and implemented. Other services are also linked with other Councils. During the course of the year additional support has been explored and provided via the Workforce Training and Development model Cambridgeshire County Council utilise. This has been scaled and adapted to PCC's immediate requirements. This continues to be reviewed & developed especially as we revise our workforce strategy in light of the exploration of wider shared service arrangements with CCC. Ongoing works in this area will be delivered throughout 2018.
17.7	NEW WAYS OF WORKING Lead: Corporate Director: Resources	Gap: Linked to 6 above, as the Council gears up to move to new accommodation, it is critical that the appropriate tools are in place to cope with smarter ways of working. Proposal: Close partnership working is in place to ensure that accommodation; technological requirements; business, staff and stakeholder needs are met to deliver practical solutions in a leaner manner. Regular reports on progress are referred to Corporate Management Team.	Governance remains in place with a senior project Board which oversees progress of the Fletton Keys Programme. Responsible officers are held accountable for progress in respect of their workstreams. Agile working group continues to be a workstream attached to this project and is closely aligned to the HR workstream which encompasses a whole policy review. Development of policies are on track. Regular updates provided to managers / briefings etc. as we move towards relocation during 2018.

17.8	<p>INFORMATION Lead: Director of Governance</p>	<p>Gap: The Council is increasingly managing, storing and maintaining personal data and information as part of the delivery of services. With data held in a vast array of places and transferring between supply chain partners, it becomes susceptible to loss, protection and privacy risks.</p> <p>Proposal: Information is paramount to the successful delivery of all services. Regular reviews of sharing protocols are in place.</p>	<p>The Council has undertaken a review of each service in terms of what personal information they collect, store and use as well as share. This review is line with the type of information needed to aid with GDPR compliance as well as the UK forthcoming Data Protection Act. This also ties into the Council's work on retention of information, system security, capabilities of those systems and the continuing development of the information asset register. The Information Governance team has issued factsheets and different media format guidance to staff on topics such as being secure, being aware of what data protection means to them. Senior managers have had briefings on the changes and the importance of being data protection aware. The Council has also now embedded privacy impact assessments in Verto project management and are preparing guidance on the completion of a Privacy Impact Assessment for officers.</p> <p>A members toolkit is under development to aid our Members with understanding their roles and how Data Protection affects them. It is expected to be available in July 2018. The Council continues to monitor and manage data incidents to minimise impact on the affected user as well as the business and reputation of the Council.</p> <p>Deadline for compliance with GDPR is 25 May 2018. Ongoing monitoring will be provided to CMT with further briefings to Members and officers.</p>
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17.9	CYBER SECURITY Lead: Corporate Director, Resources	Gap: It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management. The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate this risk, it is essential to raise awareness and commit to implementing a cyber security, risk averse culture. Proposal: Regular system monitoring and reporting is in place throughout the Council on the threats and actions to mitigate.	Our ICT partner, Serco, commissioned an external review of the ICT security arrangements and a report was received in Autumn 2017. The Council and Serco will look to address issues identified during 2018 in line with the draft action plan.
17.10	FRAUD, CORRUPTION AND SERIOUS ORGANISED CRIME Lead: Corporate Director, Resources	Gap: Pilot studies have been undertaken in a number of regions which has resulted in a best practice checklist being established to ensure that local authorities have sound and robust procedures to reduce the threat of Serious Organised Crime impacting on Council activities Proposal: Internal Audit will liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.	Internal Audit have undertaken a risk assessment against the Serious Organised Crime checklist. An initial focus has been on gifts and hospitality and will be reported on as part of Annual Audit Opinion. Limited frauds have been identified in year and Counter Fraud policies have been revisited, updated, referred to and approved by Audit Committee in March 2018. Works will now focus on raising awareness etc. through training and briefings in 2018 / 2019 and steps taken to review impact and existence of fraud.

17.11	SCHOOL STATUTORY TESTING Lead: Corporate Director, Resources	<p>Gap: There are statutory requirements under several sets of regulations which require regular inspections and tests of systems and equipment. These can include lifts, hoists, air conditioning units, pressure systems, local exhaust ventilation systems and gas or electrical installations. An Internal Audit review of schools identified limited evidence that the programme of work was being managed or monitored.</p> <p>Proposal: As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.</p>	<p>There are ongoing meetings reviewing delivery of improvements. Separate reviews are in train covering Health and Safety across the Council estate to ensure consistence of approach.</p> <p>It is anticipated that actions will not have been completed until early summer.</p>
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As part of regular reviews of the governance, processes and procedures across the Council, a number of new issues to be addressed have been identified during 2017 / 2018. These are documented in Table 2 below.

Table 2: 2017 / 2018 NEW ISSUES TO BE RESOLVED			
	Area of Assurance	Gap	Proposal to Mitigate
18.1	FINANCIAL MANAGEMENT Lead: Acting Director of Corporate Resources	<p>The budget for the Council is underpinned by a number of transformation projects and savings targets.</p> <p>There is a requirement to ensure that there is appropriate monitoring of these to ensure that these remain on track or alternatives options put in place to ensure the budget remains balanced.</p>	<p>Budgets will be developed to enable an ability to flex the budget so that savings / proposals can be moved between years if they cannot deliver early enough. Savings initiatives are now logged on Verto and will be reviewed as part of the monthly monitoring process.</p> <p>This will be linked with the establishment of quarterly budgets. This will give the Council the ability for earlier delivery of budget initiatives.</p>

18.2	COUNCIL GOVERNANCE Leads: Chief Executive; Interim Director of Law and Governance; Acting Director of Corporate Resources	Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes. There is a requirement to simplify the arrangements so as to close off any ambiguity or other avenues which could be used if a decision has already been made to reject.	An overarching review of governance arrangements will be commissioned. This should include as a minimum all decision making processes, contract rules, financial rules etc. Comparisons will be made with Cambridgeshire County Council so as to ensure consistency as joint arrangements are extended.
18.3	PROCUREMENT AND PROJECTS Lead: Acting Director of Corporate Resources	Linked with 2 above, there is a need to ensure that consistent approaches and used to develop business cases for each project. Furthermore, as part of the delivery phase, appropriate arrangements are required to ensure compliance with contract rules.	Development of the Programme Management Office. In addition, the review of Financial Regulations will reflect these requirements.
18.4	CORPORATE FRAUD Lead: Chief Internal Auditor	With finite resources across the Council, there is a need to ensure that funds are used for their intended purpose and are not being misused or misappropriated. There are limited levels of fraud reported on across the Council. The Council will look to raise awareness across all departments, its contractors, suppliers and partners.	Corporate Fraud policies have been updated and reported to Audit Committee in March 2018. Appropriate training and raising awareness will be delivered to officers, Members and our key partners. A detailed Action Plan will be produced and reported through CMT and Audit Committee. Proactive works will be undertaken during the year. The Council will continue to take part in the National Fraud Initiative.
18.5	IT GOVERNANCE Lead: Interim Director of Law and Governance	Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline	Regular reporting on progress on compliance will be made to CMT and any areas of concern will be addressed.

18.6	<p>EMERGENCY PLANNING AND BUSINESS CONTINUITY</p> <p>Lead: ALL Directors</p>	<p>The Council recognises the importance of putting in place robust arrangements for disaster recovery etc. This will mitigate the risk to the Council that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders.</p>	<p>Ensure that all Business Continuity Plans / Emergency Plans are reviewed reflecting any organisational structure and officer contact changes. These will need updating on the move to Fletton Quays.</p> <p>Provide training to officers involved in the reviewing and activation of Business Continuity Plans. Recent training at Cambridgeshire County Council will be explored for relevance and potential roll out.</p> <p>Activate a number of scenarios which could impact on service delivery (through a test environment). Evaluate their success in bringing back systems etc. in line with planned timescales and expectations.</p> <p>Quotes are being obtained to ensure that the Council has Terrorism insurance cover which was previously removed.</p>
18.7	<p>PARTNERSHIPS</p> <p>Leads:</p> <p>Interim Director of Law and Governance</p> <p>Acting Director of Corporate Resources</p>	<p>The Council has working relationships with a range of organisations and providers. There is a need to ensure there is effective oversight of each by Members and ongoing monitoring by officers.</p>	<p>An annual review of alternative delivery models will be undertaken (LLPs etc.)</p>
18.8	<p>EQUALITY AND DIVERSITY</p> <p>Lead: Interim Director of Law and Governance</p>	<p>While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date.</p>	<p>The Council will undertake a review of its action plans to ensure it remains current to its needs.</p>

Summary

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continually throughout the year.

Certification

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

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

Signed:

To be signed by 31 July 2018

Signed:

To be signed by 31 July 2018

Gillian Beasley, Chief Executive

Councillor John Holdich, Leader of the Council

Date:

Date:

Peterborough City Council Audit results report

Year ended 31 March 2018

For Audit Committee 16 July 2018



4 July 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Peterborough City Council (the Authority) for 2017/18. We will issue our final report following the Audit Committee meeting on 16 July 2018.

We have substantially completed our audit of the Authority for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the statement of accounts in the form at Section 4 of this report, before the statutory deadline of 31 July 2018. Whilst we have no matters to include in the auditor's report on your arrangements to secure economy, efficiency and effectiveness in your use of resources, in light of the financial challenges the Authority faces, we do include some specific commentary in Section 6.

This report is intended solely for the use of the Audit Committee, other Members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 16 July 2018.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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 Executive Summary



Executive Summary

Scope update

In our Audit Plan presented to the 12 February 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the statement of accounts. We carried out our audit in accordance with this plan.

- Changes in materiality: In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £10.5 million. This level of materiality remains appropriate for the actual results for the financial year – we recalculated a small change in materiality upon receipt of the unaudited accounts. The materiality used during the audit was £11 million. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, and collection fund), is £550,000.
- Significant risks: We have updated the focus and response to the significant risks we identified in our Audit Plan. We are clear that our response to the significant risk of management override is to focus on those areas where there is more incentive and opportunity for management to override control. We have identified two material risks related to fraud, covering the risk of fraud in revenue recognition and the inappropriate capitalisation of revenue expenditure which we consider as separate significant risks. This is set out more fully in Section 3 of the report.

Status of the audit

We have substantially completed our audit of the Authority's statement of accounts for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Authority's statement of accounts in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Testing of capital grants and their application, and capital grants received in advance, including s106 monies.
- Clearance of schools payroll queries and I&E sample, completion of testing, and receipt of 3 schools bank confirmations.
- PPE valuations work
- Clearance of issues arising from technical review of the accounts
- Clearance of all queries on our audit query log
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter

There are two areas where we are unable to complete the work required due to late receipt of external guidance or external confirmations:

- IAS19 procedures on the pension disclosures (still awaiting the response from the pension fund auditor)
- WGA: completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission (late receipt of NAO Group Instructions)

We expect to issue the audit certificate after we issue the audit opinion, once the WGA submission has been completed.



Executive Summary

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit. We are currently liaising with the finance team in respect of the pension valuation estimate.

We identified some presentational and disclosure issues which have been adjusted by management, and are not detailed in this report.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Authority's statement of accounts. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the course of our normal audit work, we have not identified any significant deficiencies in internal control or any other matters relating to internal controls which we believe should be brought to the attention of the Audit Committee.

Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified a significant risk relating to the actions facing the Authority to address longer term financial resilience issues. Whilst these challenges are similar to other authorities, the scale of the challenge for appears more significant for Peterborough with the Authority identifying large gaps in future funding requirements.

The risk we identified impacted two aspects of the value for money arrangements:

- Taking informed decisions
- Deploying resources in a sustainable manner

We have included in Section 6 the detailed work we carried out in response to this risk. Whilst we are satisfied that the Authority has proper arrangements in place in respect for taking informed decisions and deploying resources in a sustainable manner we do also highlight that, despite these arrangements, there remain risks around the financial resilience of the Authority and its ability to meet future gaps in funding requirements.

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Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the time of writing, we had only just received the Group Audit instructions from the NAO. We will complete this work in August ahead of the deadline of end of August.

We have no other matters to report.

Independence

We have no matters relating to our Independence to bring to your attention.

Please refer to Section 10 for our update on Independence.

02

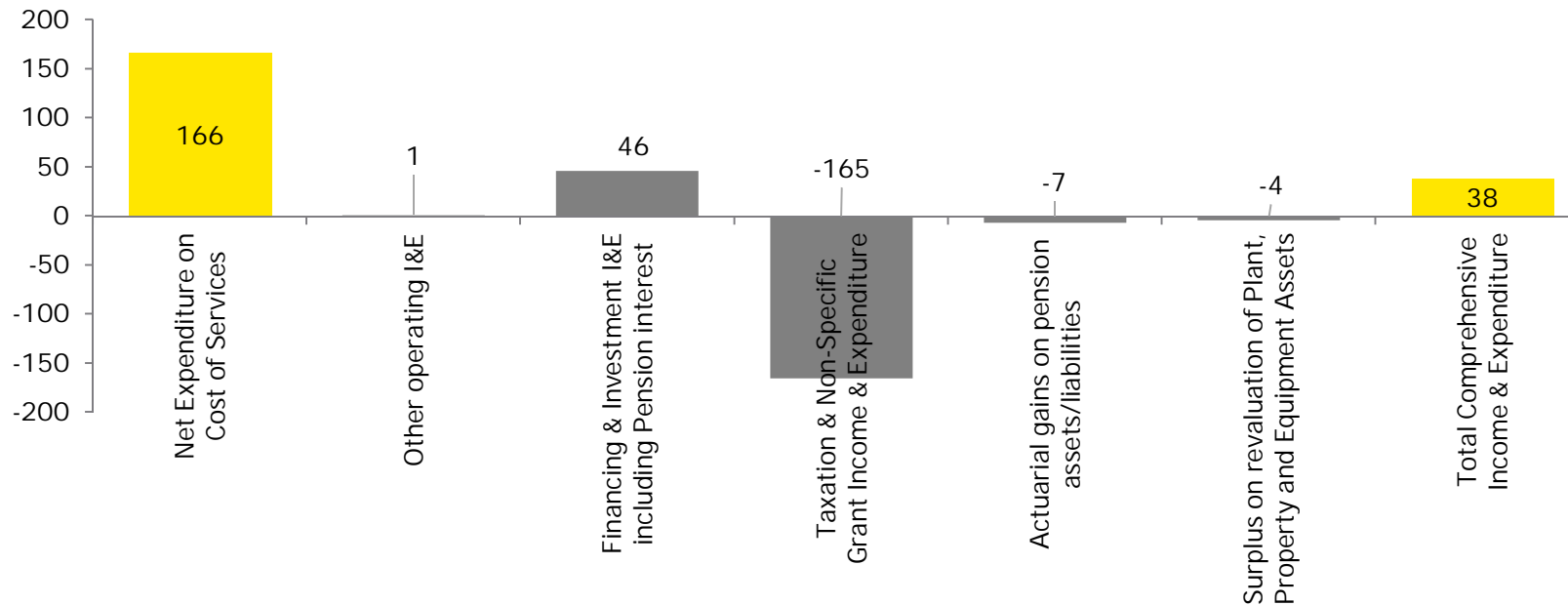
Understanding Financial Statements



Understanding the financial statements

Key components of net expenditure

Net cost of services for the year ended 31 March 2018 was £166 million, an increase of £5 million from the prior year. Net comprehensive expenditure for the year ended 31 March 2018 was £38 million, an increase of £10 million from the prior year.



Total net expenditure on the provision of services (£49 million) is consistent with the prior year. The following provides an overview of the material items:

- Gross income of £532 million is comprised of government grant income of £286 million, Council Tax of £69 million, Business Rates of £44 million and other service income (including fees and charges) of £130 million.
- The majority of grant income (£286 million) is Schools Grant of £116 million, Revenue Support Grant of £20 million, Housing Benefit Subsidy of £63 million and Capital Grants of £25 million.
- Total gross expenditure on cost of services of £581 million relates largely to staff costs of £160 million, service expenses of £368 million, interest payments of £17 million and depreciation of £34 million.



03 Areas of Audit Focus



Areas of Audit Focus

Significant risk – Revenue and expenditure recognition

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.

The Authority itself is not under specific pressure from central government outside of the requirement to cut spending that all Authorities are facing. The Authority has underspent in 2017/18 by £6.9 million, but during the year was projecting a deficit. The achievement of its budget has been reliant on the use of reserves of £7.2 million in the year. There is no specific requirement for Authorities to break even. Authorities are not penalised for incurring deficits as long as reserves are maintained at adequate levels.

What judgements are we focused on?

- Inappropriate capitalisation of revenue expenditure;
- Revenue items incorrectly identified as Revenue expenditure funded from capital under statute (REFCUS of £23.4 million), thus funded from capital;
- Inappropriate recognition of multi-year capital grants.

What did we do?

- We tested a sample of additions to PPE and reviewed for any inappropriate capitalisation of revenue expenditure;
- We reviewed a sample of REFCUS expenditure to ensure it was appropriately treated as such; and
- *Work on capital grants is ongoing*

What are our conclusions?

Our testing to date has not identified any material misstatements from revenue and expenditure recognition.

We have not identified any instances of inappropriate capitalisation of revenue.

Overall our audit work to date has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position.





Areas of Audit Focus

Significant risk – Misstatements due to fraud or error – management override

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

What judgements are we focused on?

- Change in Minimum Revenue Provision (MRP) approach;
- Changes to accounting policies;
- Material estimates – see next page; and
- Manual Journals

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What did we do?

- We reviewed the change to the MRP approach and tested its application as part of our testing on use of capital receipts and on s106 contributions
- We reviewed changes to accounting policies
- We reviewed material accounting estimates for evidence of management bias – see next page
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any inappropriate judgements being applied in the Council's change to its MRP approach nor in any changes to accounting policies.

We have not identified any inappropriate judgements being applied in the Council's calculation of material estimates.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.





Areas of Audit Focus

Significant risk – Misstatements due to fraud or error



Material estimates

Material estimates that may be open to management bias:

- PPE/Investment Properties (£592 million /£22 million) – valuations and impairment - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- Pensions Liability (£277 million) – due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- Provisions for impairment of receivables (£18 million) – this is not considered a significant risk, this is calculated in house and is dependent on type and stage of debt. We undertake specific procedures in relation to this provision. We have no matters to bring to your attention.
- Private Finance Initiative (£32 million) - the Authority's PFI liability at 31 March 2018 is £31.8 million, relating to three secondary schools. There are no new PFI schemes in the year and our work on existing schemes involved a comparison to the model and a review of movement from last year. No issues were noted. Therefore, we have treated it as a higher inherent risk but this is not considered a significant risk.

Other non-material estimates that may be open to management bias:

- NDR appeals provision (£5.5 million) - this is a higher inherent risk but not considered to be a significant risk. This is the fourth year this provision has been calculated. We have undertaken specific procedures to address management bias. We have no matters to bring to your attention.
- Creditor Accruals – this is not considered a significant risk, this is calculated in house and is dependent on type and stage of creditor. Specific procedures have been undertaken by the audit team . Our work on creditor accruals identified no matters to bring to your attention.



Areas of Audit Focus



Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority'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.

The Authority engages an external expert valuer who applies a number of complex assumptions. Annually, PPE are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value).

As the Authority's asset base is significant, and the outputs from the valuer are subjective, there is a risk that the fair value of PPE may be under or overstated or the associated accounting entries incorrectly posted. 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.

This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Surplus assets'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- Considering the work performed by the Authority's valuer, Wilks, Head and Eve (WHE), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Reviewing and sample testing the key asset information provided by the Authority to WHE in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer;
- Reviewing the desktop review performed by management over assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- Considering external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report. Specifically we have considered if this indicates any material variances to the asset valuations performed by WHE and the desktop review by management;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Our work on PPE Valuations is still being concluded - we have not identified any material issues in the valuations based on our work to date.



Areas of Audit Focus



Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £277 million (£272 million at 31 March 2017).

The information disclosed is based on the IAS 19 report issued to the Authority 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.

Our approach has focused on:

- Liaising with the auditors of Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Peterborough City Council;
- Assessing 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 NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

At the time of writing - we were still waiting for assurance from the pension fund auditor. In lieu of this response, we have carried out some analysis between the actuary's report which was produced from the December 2017 valuation, from which the Council prepared its accounts, and the draft Pension Fund accounts for 31 March 2018. We have identified a potential increase in the valuation of the fund of £24 million, (<1% increase) of which the Council's share is £2.3 million, which is not material. The Council needs to conclude whether it wishes to change its accounts for this revised estimate, which may require obtaining a new IAS19 report from the actuary. The Council should consider including further consideration of this estimate in Note 45. However, the estimate could change further, up or down, once the pension fund auditor has concluded their audit.



Areas of Audit Focus



Other matters

Assessment of Group Boundary: The Authority has a number of joint arrangements which may necessitate the preparation of group accounts. As with the prior year, the Authority has identified and considered all of its relationships with its subsidiaries and other partners and assessed the nature of these arrangements to determine whether they create functional bodies and other entities which could fall within the group boundary and therefore require consolidating into the Authority's Financial Statements. These partnership arrangements are disclosed in note 14 to the accounts. Group accounts have not previously been prepared by the Authority. 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 focussed on the reasonableness of the Authority's assessment by reviewing the Authority's determination of where overall control lies with regard to the operation and delivery of services of the potential group bodies. We were satisfied with the reasonableness of the Authority's evaluation which concluded that it did not need to consolidate any of its arrangements.

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

We carried out early work where possible at our interim audit in January/February. We also began the final accounts audit earlier – on 14 May 2018. We have also used our EY Client Portal to streamline our communications with the finance team and provide them with access to the status of audit requests.

The Authority met the shortened deadline. To a very large extent the accounts and notes were supported by good working papers, except for in a few specific areas, where we have had some difficulties and we have worked with the finance team to resolve these. We are confident the finance team can provide the supporting working papers we need and that the audit deadline of 31 July 2018 will be met. Both teams also found the use of the Client Portal was helpful to the process. We will again arrange a team debrief after the deadline, with the audit team and finance team, to highlight improvement areas for both teams.

IFRS 15 implementation: A new accounting standard relating to revenue from contracts comes into effect on 1 April 2018. The Authority has undertaken an assessment of its implications and given the nature of the Authority's income streams, it has concluded that IFRS 15 is unlikely to have a material impact on the single entity financial statements of the Authority. We concur with the Authority's initial assessment.



04 Audit Report



Audit Report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETERBOROUGH CITY COUNCIL

Opinion

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 46
- the Collection Fund and the related notes 1 to 4, and
- Statement of Accounting Policies

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Peterborough City Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2017/18 set out on pages 2 to 114, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our draft opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 17, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Peterborough City Council 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Peterborough City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



Audit Report

Our draft opinion on the financial statements

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Peterborough City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
x July 2018



05 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

There are no adjusted differences, at the time of writing.

We identified some presentational and disclosure issues which have been adjusted by management, but are not detailed in this report as they are not significant enough to be brought to the attention of the audit committee.

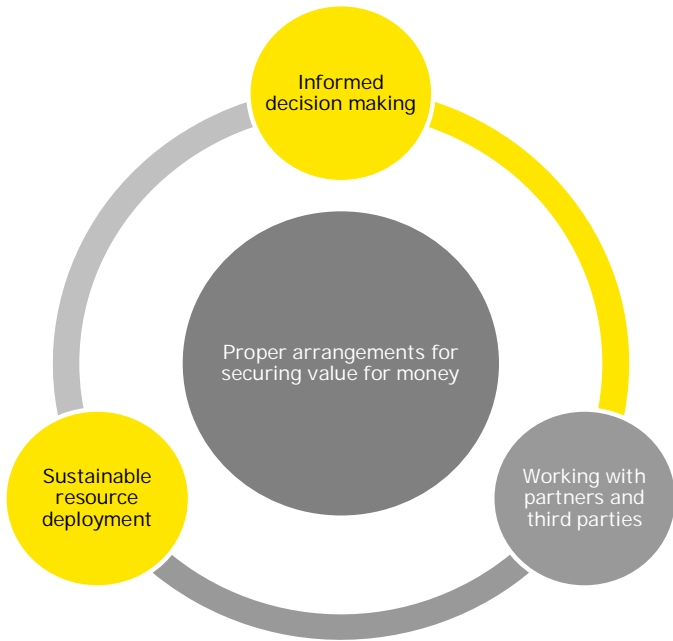


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Value for Money Risks





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”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

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.

Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We expect to have no matters to include in the auditor’s report about your arrangements to secure economy, efficiency and effectiveness in your use of resources. However, we do highlight to the Committee the significant challenges faced by the Authority to secure its long term financial resilience in light of national and local pressures, some of which the Authority has control and influence over and others where it has less.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Budget gaps	Take informed decisions Deploy resources in a sustainable manner	<p>The Authority has significant budget gaps over the next three years. The Authority has worked hard to close the gap for 2018/19 through the planned use of reserves, budget cuts and savings targets (some of which are non-recurrent). The Authority has built up reserve levels over the last three to five years and as at 31 March 2018 it had £41million in General Fund and Earmarked reserves.</p> <p>The Authority has a good track record of underspends, and meeting savings targets. Although the Authority has significant budget gaps it has clear plans for how it will manage these in the short to medium term.</p> <p>Communication and explanation of the Medium Term Financial Strategy to Members and to the public has been transparent and realistic. The latest MTFS report presented to Cabinet on 11 June 2018 clearly sets out the approach the Authority is taking over the next three years; including implementing a rolling budget in 2018/19 to be executed in three tranches through the year, enabling a more flexible approach. The report also sets out the challenges and difficult decisions that will need to be made.</p> <p>Despite some recent turnover at a senior level in the finance team, the Authority has been able to maintain strong arrangements.</p> <p>Whilst the Authority has sound arrangements in place, the size of the challenge in the longer term is significant with a £31 million gap for 2019/20 and 2020/21. A number of these challenges are driven by national policy and decisions outside of the control of the Authority. As such there remain risks around the longer term financial resilience of the Authority.</p>

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Other matters to bring to your attention

We noted the following issues as part of our audit

What are our findings?

- Budget gaps at the time of our audit planning: £24 million in 2018/19, £28 million in 2019/20 and £40 million in 2020/21. Achieving the 2017/18 budget was 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 had already been identified, leaving a further £15.7 million savings target to close the gap of £24 million.
- Outturn for the year ended 31 March 2018: £6.9 million underspend, £12.3 million contribution to earmarked reserves, and £10.5m use of reserves (including £7.2 million planned use of the Grant Equalisation reserve). Total General Fund and Earmarked reserves stand at £41 million. Savings of £20.8 million were approved in the budget, which were exceeded. However, to achieve the budget, there were also £20.4 million of non-repeatable savings in the budget (including £12.7 million use of capital receipts, and £7.2 million use of the grant equalisation reserve).
- Arrangements through the year: Communication and explanation of the Medium Term Financial Strategy to members and to the public has been transparent and realistic through out the year. The latest MTFS report presented to Cabinet on 11 June clearly sets out the approach the Authority is taking over the next three years, including implementing a rolling budget in 2018/19 to be executed in three tranches through the year, enabling a more flexible approach. The report also sets out the challenges and difficult decisions that will need to be made. Despite some recent turnover at a senior level in the finance team; the Authority has been able to maintain strong arrangements.

Looking forward – budget gaps in the medium term

For 2018/19 the budget gap is now closed through budget reductions and savings of £26.4 million, including the planned use of £4.2 million from the Grant Equalisation reserve. The Authority's track record points to it being likely to achieve these. However the planned measures again use one-off savings of £12 million; including the use of capital receipts (£2.9 million), MRP re-provisioning (£3.7 million) and use of reserves (£4.2 million).

The gap in 2019/20 is £12 million, and in 2020/21 is £19 million. At this point in time there is no planned use of reserves for those years, and it is intended that a steady level of reserves will be maintained. The Authority has now begun its next phase of its MTFS to create a sustainable budget; with less reliance on one-off measures, and by identifying repeatable savings. This approach includes implementing a rolling budget process which will bring forward decision making and implementation, with the aim of improving accountability.

The Authority is also increasing its collaboration with Cambridgeshire County Council across a range of services. Future areas being considered to reduce the gap include:

- Commercial opportunities
- Procurement and commissioning
- Reducing reliance on agency staff
- Centralising services where there is a business case
- Greater integration with health and other partners.

Despite these plans and arrangements the Authority, like many other authorities across the country, faces several challenges that are driven by national policy and decisions outside of its control. As such there remain risks around its long term financial resilience.



07 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet commenced our work in this area, as we did not receive the Group Audit Instructions from the NAO until the very end of our on site audit visit. It is likely that we will now complete this work in August ahead of the WGA deadline of end August, though we will attempt to complete this by the main audit deadline of 31 July if possible. We will provide an update at the Audit Committee on 16 July.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



08

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



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09 Data Analytics



Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all the financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing of the non-schools payroll. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 12 February 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 16 July 2018.

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	TBC*	108,533	108,533	111,033
Non-audit work - Housing Benefit Subsidy Claim	TBC**	TBC**	13,619	24,075

*The final fee for the 2017/18 account audit is still to be quantified. We anticipate only a very small increase in fee above the scale fee, to be agreed with the s151 officer. It will also need to be approved by PSAA.

**The scope of the 2017/18 HB audit is still to be agreed with officers. In 2016/17, we carried out all the audit testing, hence the increase in fee. The HBCount regime makes the assumption that the client will carry out at least the 40+ (additional testing in response to errors found initial sample) and the auditor reperform a sample of their work. We will update the Audit Committee if there has been any progress on this.



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11 Appendices

Audit approach update

We summarise below our approach to the audit of the material items in the balance sheet and any changes to this approach from the prior year audit. Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, plant and equipment	Substantively test all relevant assertions	Substantively tested all relevant assertions	No change
Short term debtors			
Short & long term borrowing			
Short & long term creditors			
Other long term liabilities			
Capital grants received in advance			
Reserves			

Appendix B

Summary of communications during 2017/18





Date 	Nature 	Summary 
Throughout the year	Meetings, calls and emails	Kay McClennon has been in regular contact with the Acting Director of Corporate Resources in respect of the Authority' financial risks, accounts closedown and the audit approach. This has included weekly updates during June and July. In addition Suresh Patel has shared by email a number of insights ranging from a GDPR preparedness document to EY updates on developments in Corporate Governance requirements.
20 November 2017	Meeting	EY attended the Audit Committee to present a progress report for discussion indicating significant risks and areas of audit focus.
12 February 2018	Meeting	Suresh Patel attended a meeting with the Chief Executive and the CFO to discuss strategic and operational issues facing the Council, and the progress of the audit to date.
12 February 2018	Meeting	EY attended the Audit Committee to present the Audit Plan.
26 March 2018	Meeting	EY attended the Audit Committee to present a progress report.
3 April 2018 3 May 2018	Meeting	Kay McClennon and Flo Barrett held phone meetings with the finance team to discuss the year-end audit.
21 June 2018	Meeting	The audit team led by Suresh, held a closure meeting with the CFO and the finance team to discuss the draft Audit Results Report and agree the main findings and conclusions.
25 June 2018	Meeting	Suresh arranged a meeting with the CFO to discuss specifically the Authority's financial resilience and our VFMC work.
16 July 2018	Meeting	EY to attend Audit Committee to present this Audit Results Report (ISA 260 report).

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 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.	Audit Planning Report 12 February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report 12 February 2018
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 	Audit Results Report 16 July 2018

Appendix C

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 	<p>No conditions or events were identified, either individually or together to raise any doubt about Peterborough City Council's ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>None to report Audit Results Report 16 July 2018</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>By letter of rep request in Audit Results Report 16 July 2018</p>
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 Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	<p>By letter of rep request in Audit Results Report 16 July 2018</p>

Appendix C

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		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 Authority 	<p>None to report Audit Results Report 16 July 2018</p>
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 <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report 12 February 2018 Audit Results Report 16 July 2018</p>

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
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 16 July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • 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 	We have asked management and those charged with governance by letter of representation. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	None to report Audit Results Report 16 July 2018

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	By letter of rep request in Audit Results Report 16 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	None to report Audit Results Report 16 July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report 16 July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report 12 February 2018 Audit Results Report 16 July 2018
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report - December 2018

Management representation letter

Draft Management Rep Letter

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Suresh Patel
Executive Director
Ernst & Young LLP
1 More London Place
London
SE1 1AF

Dear Suresh

Management Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Peterborough City Council (“the Council”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Peterborough City Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in

the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-Compliance with Laws and Regulations, Including Fraud

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) including non-compliance matters:
 - Involving financial statements;
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
 - Involving management, or other employees who have significant roles in internal controls or others; or
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulation communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Audit Committees (or summaries of actions of recent meetings for which minutes have not yet

Management representation letter

Management Rep Letter

been prepared) held through the year to the most recent meeting on the following date: 16 July 2018.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Comparative Information – Comparative Financial Statements

In connection with your audit of the comparative financial statements for the year ended 31 March 2017, we represent, to the best of our knowledge and belief, the following:

1. There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended 31 March 2017 which are shown as comparative amounts from the

amounts in the financial statements for the year ended 31 March 2018. Any differences in the comparative amounts from the amounts in the financial statements for the year ended 31 March 2017 are solely the result of reclassifications for comparative purposes.

H. Estimates

PPE/Investment Properties – valuations and impairment
Pensions Liability
Provision for impairment of receivables
Private Finance Initiative

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the disclosures made in the financial statements with respect to the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 accounting estimate(s) are complete and made in accordance with
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

.....
Acting Director of Corporate Resources

Date

.....
Chair of the Audit Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Suresh Patel
Executive Director
Ernst & Young LLP
1 More London Place
London
SE1 1AF

Dear Suresh

Management Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2017

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Peterborough City Council (“the Council”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Peterborough City Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in

the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-Compliance with Laws and Regulations, Including Fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
 - Involving financial statements;
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or other employees who have significant roles in internal controls or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulation communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Audit Committees (or summaries of actions of recent meetings for which minutes have not yet

been prepared) held through the year to the most recent meeting on the following date:
16 July 2018.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Comparative Information – Comparative Financial Statements

In connection with your audit of the comparative financial statements for the year ended 31 March 2017, we represent, to the best of our knowledge and belief, the following:

1. There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended 31 March 2017 which are shown as comparative amounts from the

amounts in the financial statements for the year ended 31 March 2018. Any differences in the comparative amounts from the amounts in the financial statements for the year ended 31 March 2017 are solely the result of reclassifications for comparative purposes.

H. Estimates

PPE/Investment Properties – valuations and impairment

Pensions Liability

Provision for impairment of receivables

Private Finance Initiative

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the disclosures made in the financial statements with respect to the the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.accounting estimate(s) are complete and made in accordance with
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

.....

Acting Director of Corporate Resources

Date

.....

Chair of the Audit Committee

Date

AUDIT COMMITTEE	AGENDA ITEM No. 9
16 JULY 2018	PUBLIC REPORT

Report of:	Peter Carpenter - Acting Director of Corporate Resources		
Cabinet Member(s) responsible:	Cllr Seaton - Resources		
Contact Officer(s):	Peter Carpenter - Acting Director of Corporate Resources	Tel. 384564	

AUDIT FEES 2018/19

RECOMMENDATIONS	
FROM: Peter Carpenter - Acting Director of Corporate Resources	Deadline date: N/A
It is recommended that Audit Committee approve the 2018/19 external audit fee proposal	

1. ORIGIN OF REPORT

1.1 The 2018/19 Fees letter has been received from Ernst & Young LLP.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to enable consideration of the proposed audit fees for auditing the 2018/19 accounts

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.7 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 proposed fee is the scale set by Public Sector Audit Appointments Ltd. The 2018/19 audit is the first under a new five year appointing period and the scale fee represents a 23% reduction on the 2017/18 fee.

4.2 In proposing the scale fee Ernst & Young LLP have assumed that there are no significant increases in the Council's financial risks compared to 2017/18 and that the quality of the accounting and control environment is maintained. It is expected that this will be the case. If EY seek an extra fee for additional work, the Council would be able to challenge the increase through Public Sector Audit Appointments.

4.3 The proposed fee level does not exceed the 2018/19 approved budget.

4.4 Housing benefit certification is no longer covered by the PSAA appointment. The Council

obtained quotes from EY, Grant Thornton and KPMG for this work. The contract for the 2018/19 audit was awarded to KPMG. The level of audit work required, and therefore the fee, is dependent on the results of the 2017/18 which has not yet been undertaken. The fee also varies according to whether the Council or the auditor undertake some of the work. The estimated fee for the 2018/19 audit is £11,575. This represents a saving against previous years fees.

5. CONSULTATION

5.1 There has been no consultation in respect of this report

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Work will commence on the conclusion of the 2017/18 audit to plan the 2018/19 audit with Ernst & Young LLP.

7. REASON FOR THE RECOMMENDATION

7.1 The fee proposed is reasonable.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None.

9. IMPLICATIONS

Financial Implications

9.1 The fees are provided for in the 2018/19 budget.

Legal Implications

9.2 Due process has been followed so there are no legal implications, anticipated.

Equalities Implications

9.3 None specific

10. BACKGROUND DOCUMENTS

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

10.1 Local Audit and Accountability Act 2014
Accounts & Audit Regulations 2015

11. APPENDICES

11.1 Ernst & Young LLP letter 27 April 2018 'Annual Audit 2018/19.

Gillian Beasley
Chief Executive
Peterborough City Council
Town Hall
Bridge Street
Peterborough
Cambridgeshire
PA1 1HQ

27 April 2018

Ref: PCC201819Fee
Your ref:

Direct line: 020 7951 2340

Email: SPatel22@uk.ey.com

Dear Gillian

Annual Audit 2018/19

I am writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Peterborough City Council.

As you may recall from 2018/19 you were required to make your own arrangements for local auditor appointment under the Local Audit and Accountability Act 2014 for the audit of the accounts and certification of the housing benefit subsidy claim. You opted into the national scheme managed by Public Sector Audit Appointments Ltd (PSAA). We were pleased that PSAA confirmed our appointment as your auditor for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that have opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts

For Peterborough City Council we have set our indicative fee at the PSAA scale fee level, assuming:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;

- Your officers meet the agreed timetable of deliverables;
- You operate effective arrangements of internal control;
- Our accounts opinion and value for money conclusion being unqualified;
- You provide appropriate quality of documentation;
- You operate an effective control environment; and
- You provide prompt responses to our queries and our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. We will review and update fees as necessary through discussion with Peter, within the parameters of our contract.

Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee Peterborough City Council	83,570	108,533	111,033
Certification of housing benefit subsidy claim	N/A	13,619	24,075

The fee for 2016/17 reflects additional code audit work we were required to undertake and we agreed the fee with Marion Kelly. The additional fee for HB work for 2016/17 (£10,020) is still subject to approval by PSAA.

In respect of the indicative fee for the certification of housing benefit subsidy for 2017/18, PSAA bases this on the actual 2015/16 benefit certification fees. The fee for this area of work can fluctuate significantly depending on the findings from our initial testing. We have initially set the certification fee at the indicative fee level of £13,619. However the HB certification regime assumes that the Council will undertake any necessary '40+' testing, subject to reperformance by us. This is set out in HBCount Module 1. In the two years since we have been your auditor we have carried out the additional testing ourselves and we have raised an additional fee. This will be likely for 2017/18 unless the Council carries out the testing itself. The appointment for a review of the Council's 2018/19 housing benefit subsidy claim is not covered by the PSAA appointment. We will shortly provide Peter a quote for undertaking this work, based on the understanding that the Council will undertake any necessary '40+' testing.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £20,893.

Audit plan

We expect to issue our plan before December 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with Peter and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me as your Engagement Lead. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

cc. Peter Carpenter, Interim Corporate Director, Resources
Cllr Kim Aitken, Chair of the Audit Committee

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AUDIT COMMITTEE	AGENDA ITEM No. 10
DATE: 16 JULY 2018	PUBLIC REPORT

Report of:	Ernst & Young		
Contact Officer(s):	Kay McClennon, Manager, Government and Public Sector Audit	Tel. 01223 394403	

SECTOR UPDATE (2018 Q2 AUDIT COMMITTEE BRIEFING)

RECOMMENDATIONS	
FROM: Kay McClennon, Manager, Government and Public Sector Audit	Deadline date: N/A
<p>It is recommended that the Audit Committee:</p> <p>1. Notes the briefing from EY</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Board under its terms of reference.

2. PURPOSE AND REASON FOR REPORT

2.1 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.

2.2 This report is for the Board 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	
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Local government audit committee briefing



Building a better
working world



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auditing and
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for the Audit
Committee **9**

Find out
more **9**



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

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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 – Local Government Economic Briefing Q2, May 2018

The EY ITEM Club has produced a briefing that provides a view of economic shifts and trends for local authorities to consider. It suggests that 2018 will see a continuation of the mediocre economic performance seen in 2017. This will provide a number of challenges for local authorities at a time when the need to achieve key objectives, such as driving economic growth locally, become ever more important. The briefing covers three main areas:

Continued economic pressures in 2018

Local authorities are likely to find the UK's economic performance stumbling through 2018, with GDP growth now failing to keep up with a rosier outlook for the global economy.

The UK's GDP growth averaged 1.7% throughout 2017, outperformed by growth across the G7 economies. This reflects an economy that has displayed a degree of stability in recent quarters, but also a lack of momentum in both absolute and relative terms. GDP growth is forecasted to remain consistent at 1.7% 2018 and 2019, representing a sub-par growth by the standards of both history and the UK's international peers.

A number of economic metrics are likely to influence local authority decision making in the year ahead:

- ▶ The CIPS/Markit Index indicated a tough few months for the UK economy at the start of 2018, influenced by a prolonged bout of bad weather. The construction sector was worst hit, with the Index suggesting a slump in March to 47.0 from the previous month's 51.4, suggesting a contraction in activity. This could impact both infrastructure and house building activity
- ▶ 2017's increasing inflation rate created the chief headwind to growth in the year. However from a consumer's point of view, the growth in average earnings will likely outpace the inflation rate. Local authorities will need to consider the impact on their workforce, including consideration towards workforce retention
- ▶ The economy faces a headwind from the prospect of rising interest rates, caused by inflation likely to stay above the 2% target and the tone of the Bank of England Monetary Policy Committee. The EY ITEM Club forecasts two further interest rate rises of 0.25% in the coming year. Local authorities need to consider the impact of this, for example on variable rate borrowing costs and also on broader treasury management plans

Positive Signs for some on business Rates Retention

A recent study by the Institute for Fiscal Studies (IFS) has reignited the debate about the potential financial implications associated with 100% business rates retention. The IFS study forecasts that councils included in the 100% retention pilot scheme will gain an additional £870mn in funding next year as a result, representing an approximate 3.6% increase in their collective spending power.

Whilst this provides an incentive to councils for growing their local economies, critics argue that areas less able to generate business income may become vulnerable to funding constraints. For example, the IFS forecasts suggest that London councils could gain £430mn (£49 per person, or 4.9% of core spending power) from the scheme, compared to a gain of just £2.5mn (£5 per person, or 0.6% of core spending power) in Liverpool. As a result, these estimates suggest that Liverpool City Council would have derived a greater financial benefit if total gains made by pilot authorities had been distributed nationally on the basis of relative needs.

One of the primary concerns regarding distributional impacts is the potential lack of correlation between local authority spending needs and the perceived potential for business rates growth. Further analysis is required to determine the potential impact of rate retention in light of where local authority funding needs may emerge in the years to come.

Mitigating the risk of market failure in health and care systems

Allied Healthcare, one of the country's largest home care providers, has successfully agreed a Company Voluntary Arrangement (CVA) allowing it to agree a payment plan with its creditors.

Changes to the Care Act, which came into effect in 2015, means that if a provider like Allied were to stop trading, local authorities would need step in to protect individuals receiving care. This demonstrates the need for a continued focus on the successful integration of care and the role of local authorities in leading this transformation is paramount.

Data is a fundamental enabler to the successful integration of health and social care; it also presents one of the areas of greatest complexity. Key stakeholders across health and social care

systems should recognise the role of sharing data in minimising the risk of information asymmetry. Focus is already being applied to establishing platforms that allow market participants to share data not just on an individual's care needs, but also on broader lifestyle data. Whilst this has the potential to allow for the use of transformative technologies such as artificial intelligence, it also has the potential to support more effective pricing and resource allocation, leading to the better functioning of the health and care market.

NAO Report Financial sustainability of local authorities 2018

In March 2018 the National Audit Office (NAO) published a report Financial sustainability of local authorities 2018. The scope of the report was to review developments within the sector and to understand the impact of funding reductions on the service and financial sustainability for local authorities. One of the key findings of the report was that there had been a real-terms reduction in local authority spending power by 29% between 2010-11 and 2017-18.

Spending on services that have significant statutory responsibilities, such as adult social care have only seen a reduction in spending of 3% in real terms; whereas in contrast spending on more discretionary areas, such as planning, housing services, highways and cultural related services, have seen a greater reduction of spending between 35% to 53% in real terms. These spending reductions have seen reductions in front lines services such as weekly domestic waste collection (reduced by 34% between 2010-11 and 2016-17) and numbers of libraries (reduced by 10% between 2010-11 and 2016-17).

Another key finding of the NAO report is that the many local authorities are relying on using their reserves to fund the provision of services, which is not sustainable. The report found that 11% of single-tiered and county councils had the equivalent of less than three years' worth of total reserves if they continued to use their reserves at the rate they did in 2016-17. Therefore achieving strong financial resilience is imperative to maintaining the financial sustainability of the provision of services by local authorities. Northamptonshire County Council issued a s114 notice in February 2018, indicating that it was at risk of spending more in the financial year than it had resources available. This highlights the increased risk of financial sustainability for local authorities.



Accounting, auditing and governance

IFRS 9: Financial Instruments ... just an accounting change isn't it?

On 4 April 2018 the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2018/19 was issued by a joint board of CIPFA/LASAAC. The updated Code of Practice for 2018/19 introduces two new reporting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which was discussed in detail in the last briefing.

The implementation of IFRS 9 in the Code could well have an impact on Local Authority budgets and ultimately General Fund reserve levels.

The IFRS impacts on an authority's financial assets: the investments it holds; the amounts it has lent to others; and other monetary based assets it may have. It changes how these financial assets are classified and how movements in their value are accounted for. It also changes how these assets are impaired; based on the risk that the assets may not be recovered in full, or at all.

Classification changes

Currently, many authority financial assets are classified as 'Available for Sale'. For these assets, an accounting adjustment is permitted to ensure that movements in the value of these assets does not impact on the General Fund. Under IFRS 9, the 'Available for Sale' classification no longer exists. Authorities will therefore have to reclassify their financial assets into one of the three classifications allowed under the standard: amortised costs; fair value movement through other comprehensive income; and fair value movement through profit and loss. It is this final category

which is causing authorities concern, as any movement in the value of assets in that classification will impact directly on General Fund balances, and at present there is no permitted accounting adjustment to remove that impact.

Collective Investment Schemes

Many authorities are now investing significant amounts in a range of collective investment schemes, such as the CCLA Local Authority Property Fund. At present there is significant debate about the classification of these funds, with the majority view being that they would be classified as fair value movement through profit and loss, with those movements therefore impacting on General Fund. The alternative view is that these funds meet the definition of equity and could therefore be reclassified to fair value movement through other comprehensive income, with the value movements not impacting General Fund. This specific issue is being considered by central government and CIPFA, and it is likely that a permitted accounting entry will be introduced to allow the impact of value movements for these type of funds to be removed from the General Fund.

Impairment of financial assets

Under the current approach, Local Authorities only have to provide for impairments to financial assets when there is objective evidence that all of the value of the asset may not be recovered; IFRS 9 introduces a new model for financial asset impairment. Under the new impairment model, Local Authorities will need to make an estimate of the potential loss on all financial assets at the inception of that asset, even if there is no objective evidence that

a loss will occur. This will obviously result in a higher impairment charge for financial assets going forward, and that charge will impact on General Fund.

In summary, the introduction of IFRS 9 into the Code is more than just an accounting change and authorities will have to keep a very close eye on the budgetary.

CIPFA/LASAAC consultation on IFRS 16 Leases

CIPFA has issued the first of a series of briefings intended to assist practitioners engage in the consultation process for the adoption of IFRS 16 in the 2019/20 Code. Each briefing will focus on particular aspects of the standard whilst also updating stakeholders on latest developments. The first briefing focuses on recognition and measurement and the adaptations to the Code for the adoption of IFRS 16.

IFRS 16 replaces IAS 17 Leases and its related interpretations. It will apply to the 2019/20 financial statements subject to the consultation process and CIPFA/LASAAC's decisions for adoption in the 2019/20 Code. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority.

The new leasing standard will lead to a significant change in accounting practice for lessees for whom the current distinction between operating and finance leases will be removed. Instead it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. At the commencement date of the lease, a lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to make lease payments for the asset.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. Subsequently, lessees increase the lease liability to reflect interest, and reduce the liability to reflect lease payments made (as with finance leases under IAS 17).

The right of use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions), and an estimate of restoration, removal and dismantling costs. Subsequently, the right of use asset is depreciated in accordance with IAS 16. (In certain circumstances, alternative subsequent

measurement bases for the ROU asset may apply (in accordance with IAS 16 and IAS 40 Investment Property).

The standard has a set of specific mandatory disclosure requirements (e.g., expenses, cash flows), and also an additional requirement for a lessee to disclose any further information a user would need to assess effect leases have on the financial statements.

CIPFA will be liaising with a number of authorities across the UK to consider the cost and benefit implication of adoption of IFRS 16, as well as the impact on information requirements, the processes and systems used by local authorities.

Future briefings to support the implementation of this new standard will cover topics such as identifying the lease, recognition exemption, issues for lessors and transitional reporting arrangement, to name a few. A readiness assessment questionnaire has been included in the consultation to help local authorities in their preparations. CIPFA/LASAAC is requesting authorities to share this information in order to assess the overall preparedness for adoption on a larger scale.

Audit Committee Effectiveness Toolkit

Audit Committees are a vital part of any entity as they are charged with overseeing governance arrangements throughout their organisations. Over the past few years Audit Committees have experienced enhanced scrutiny from regulators and stakeholders with new guidance on good governance arrangements, public sector internal audit standards, managing risk and preventing fraud; whilst at the same time there has been the need to deliver better value for money for taxpayers.

Therefore it is vital that every Audit Committee is prepared, ready and are able to fulfil their role in an effective manner. In order to assist Audit Committees in monitoring their performance, and assessing their effectiveness, EY has developed a Government and Public Sector specific 'Audit Committee Effectiveness Toolkit'.

The toolkit provides an opportunity for Audit Committees to critically assess their own effectiveness to determine if they meet the minimum standards as set out in CIPFA's Position Statement for Audit Committees. The toolkit will also help all members to understand their respective roles and responsibilities of being a member of an Audit Committee.

This toolkit is available as an additional service that can be provided. Further information regarding the Audit Committee Effectiveness Toolkit is available upon request through your local audit team.



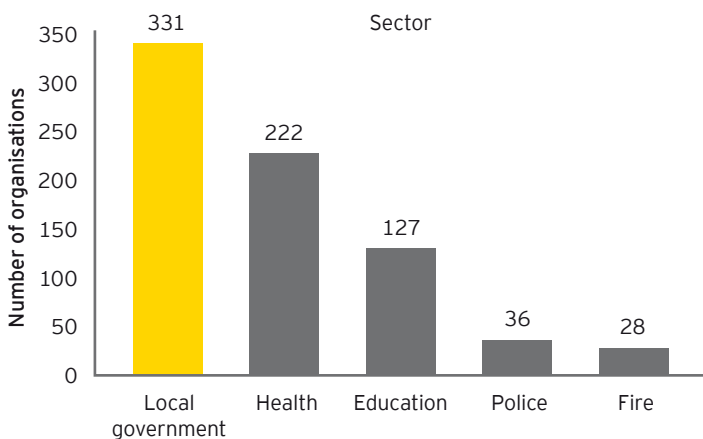
Regulation news

Gender pay gap reporting

On 4 April 2018, employers in Great Britain with more than 250 staff were required by law to publish data on Gender Pay Gap for the first time. EY has analysed the gender pay gap data reported by 744 public sector bodies, including 331 local authorities (see Figure 1 below).

Figure 1: Government and Public sector bodies reported on gender pay gap

Who reported



The gender pay gap is calculated by determining the difference between the mean or median hourly earnings for men and women, as a percentage of men's hourly earnings. We have analysed the mean gender pay gap and the median gender pay gap below.

The education sector reported the largest average median pay gap (15.3%), whilst Local Government reported the lowest average median pay gap (5.8%), see Figure 2 below.

Figure 2: Average median pay gap

Average pay gap

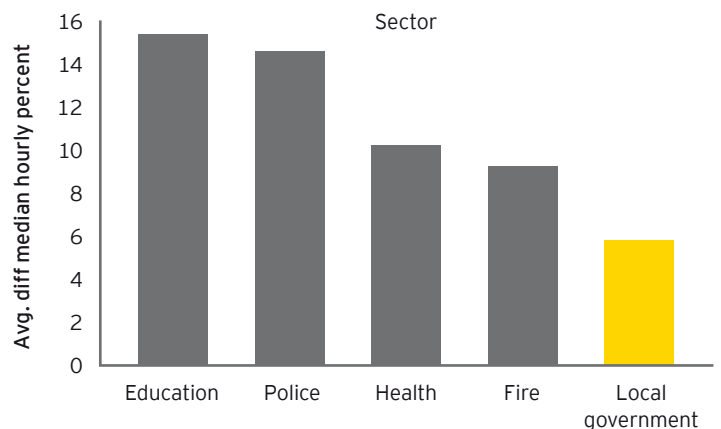
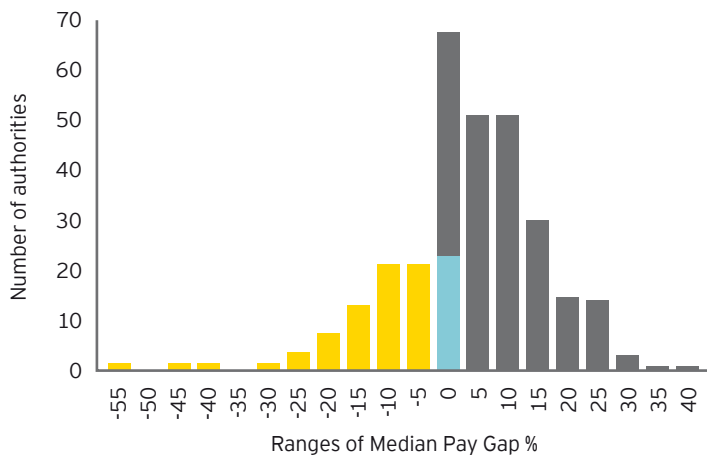


Figure 3 below sets out the % gap in median hourly pay between men and women reported by local authorities. This shows that 25 authorities reported a zero pay gap, 77 authorities reported a higher median pay for women than men, and the remaining 227 authorities reported men receiving a higher median pay for men than women.

Figure 3: Difference in median hourly pay in LG

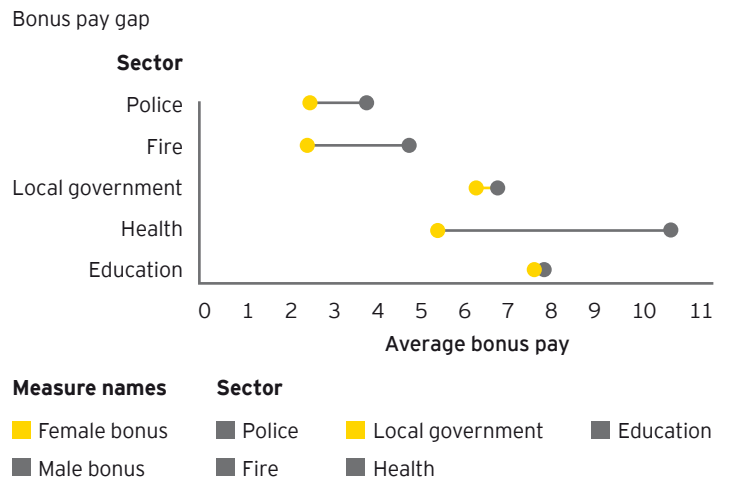
Difference in median hourly pay in fire sector, %



Difference in Median hourly pay as report by each organisation. Yellow represents instances where the median hourly pay was higher for women, Blue represents instances where there was no gender pay gap and grey corresponds to a median hourly pay gap where men are paid higher.

Figure 4 below compares the bonus pay gap between men and women across different sectors. This shows that local authorities have the second lowest bonus pay gap.

Figure 4: Bonus pay gap in the public sector



Making Tax Digital (MTD) for VAT: changes from April 2019

From April 2019 it will be compulsory for VAT registered local authorities to comply with new requirements to be in line with HMRC regulations. Local authorities will need to:

- ▶ Keep and preserve digital tax records
- ▶ File VAT returns directly with HMRC using MTD compatible software

Whilst these requirements may not initially seem too burdensome, where a local authority is preparing VAT returns manually from legacy systems or multiple unconnected systems it may be a challenge (and time consuming) to fully understand and implement the necessary changes to be compliant with the MTD requirements.

With around only nine months before the new regulation comes into force local authorities will need to make sure that they have an appropriate readiness plan in place in order to comply with the new MTD obligations.

EY is recommending that local authorities prepare for MTD by creating a 'roadmap to April 2019' as soon as possible to allow for suitable time to implement changes before the deadline. This 'roadmap' should include:

1. An assessment of the current state and readiness for change
2. Evaluation of available technology solutions

Further information can be found at the end of this briefing although where EY is the appointed auditor to an authority; it is prohibited from providing tax advice.

National Minimum/Living Wage legislation

Recent investigations from HMRC have seen an increase in Public Sector employers struggling to comply with the National Minimum/Living Wage (NMW/NLW) legislation. The NMW/NLW minimum wage for those over 25 is currently £7.83. Lower rates exist for those aged under 25 and apprentices. Whilst the NMW/NLW rates have been well publicised a number of public sector employers have been struggling to comply. A report by the Low Pay Commission, published in September 2017, raised concerns regarding the high rate of NMW/NLW breaches and specifically highlighted education support assistants and teaching assistants. Given the diverse nature of work undertaken by local authority employees it is important to review contracts and working practices across the different activities undertaken. One notable example of HMRC focus has been the payments to care workers

for sleeping time. This has resulted in an increase in enforcement activity in this sector. Other significant areas of focus include:

- ▶ Salaried workers whose hours are not actively monitored
- ▶ Defined dress code policies which may reduce the NMW/NLW pay
- ▶ Deductions, such as car parking charges paid by employees on facilities owned by the local authority
- ▶ Salary Sacrifice which may in turn reduce the base pay for NMW/NLW

The impact of reputational damage from being publically named may outweigh any financial impact, which includes penalties of up to 200% of any arrears and lengthy HMRC investigations which could cover a period of six years.

EY have employed a number of former NMW/NLW Compliance Investigators, with significant knowledge and experience that will be able to provide insights on developing an effective approach to achieve compliance with legislation and improve monitoring procedures.

Further information can be found at the end of this briefing although where EY is the appointed auditor to an authority, it is prohibited from providing tax advice.

Key questions for the Audit Committee

- ▶ Has your authority assessed the impact of inflation and earnings growth on employee retention?
- ▶ Has your authority considered the impact of potential rises in interest rates over the next year or so, and reflected this in estimated costs of borrowing and on its broader treasury management strategy and medium term financial planning?
- ▶ How has the authority considered the impact of changes to the business rates system, and reflected these changes in its budget and financial planning?
- ▶ In the light of the NAO report on the financial sustainability of local authorities, how financially resilient is your authority? Are you confident that the authority has an appropriate policy on the level of reserves?
- ▶ Has your authority assessed the impact of the new accounting standards IFRS 9 Financial Instruments on your budgets?
- ▶ Has your authority assessed the impact IFRS 16 will have on cost, processes and system information?
- ▶ How is the effectiveness of your Audit Committee assessed and monitored?
- ▶ Have you considered the gender pay gap at your authority? Where there is a gender pay gap, what actions are being taken to reduce the gap?
- ▶ How prepared is your authority for the new Making Tax Digital (MTD) VAT requirements that will come into force from April 2019?
- ▶ How does your authority ensure that it complies with the National Minimum/Living Wage (NMW/NLW) legislation?

Find out more

EY Item Club forecast

<https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy#section1>

Financial Sustainability: NAO Report

<https://www.nao.org.uk/press-release/financial-sustainability-of-local-authorities-2018/>

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

Code of Practice Improvements

<http://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-201819-online>

<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/new-code-improves-transparency-of-transactions-in-local-government-finances>

<http://www.cipfa.org/policy-and-guidance/consultations/code-of-practice-on-local-authority-accounting-in-the-united-kingdom,-c,-consultation-on-ifrs-16-leases>

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

<https://www.gov.uk/government/consultations/ifrs-16-leases-exposure-draft-1801>

Audit Committee Effectiveness Toolkit

Please contact your local audit team

Making Tax Digital (MTD) for VAT: changes from April 2019

<https://www.ey.com/gl/en/services/tax/digital-tax---why-digital-tax>

<https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>

<https://www.icaew.com/en/technical/tax/making-tax-digital>

National Minimum/Living Wage legislation Compliance

<https://www.gov.uk/government/publications/enforcing-national-minimum-wage-law>

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ED None

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AUDIT COMMITTEE	AGENDA ITEM No. 11
16 JULY 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, Data Protection Officer	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> <ol style="list-style-type: none"> 1. Review the attached updated RIPA policy and agree the proposed amendments as detailed in this report. 	

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 2018/2019.

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 and to review and update the council's RIPA policy.
- 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 The Council has a policy to ensure that covert surveillance is subject to good governance and the authority complies with legislation even though we rarely use such powers. The policy was last updated in 2015.
- 4.3 The oversight of the use of such powers was within the remit of the Office of the Surveillance Commissioners until 1 September 2017 when it was replaced by the Investigatory Powers Commissioner's Office (IPCO). The IPCO also includes the former Intelligence Surveillance Commissioner's Office and the Interception of Communications Commissioner's Office.
- 4.4 The council was last inspected in 2015 when we received a positive report with a number of recommendations including reducing the number of authorising officers and implementing training for officers. Training was provided to officers shortly after the inspection and further training will be delivered this year to all officers who may undertake investigations where covert surveillance *may* be considered necessary.
- 4.5 The adequate and effective monitoring of covert surveillance is overseen by the Council's Senior Responsible Officer (SRO). Peterborough City Council's SRO is Fiona McMillan and she is supported by the central monitoring officer and two authorising officers.

5. Policy Review

The policy has been updated as described below:

- The SRO has been changed to confirm Fiona McMillan as SRO
- We have removed the section on Non-RIPA Authorising Officers to reflect the change in process within the policy to ensure all managers consider the impact of any surveillance, its proportionality and necessity of any surveillance to an investigation and whether RIPA applies
- We have updated the useful website links
- We have increased the guidance for the use of social media in investigations and a new appendix to assist
- We have inserted new section on joint services and operations to ensure officers have clarity on the process to follow
- We have inserted a reminder to officers to consider any community sensitivities when considering any surveillance activities
- We have updated the case-law relevant to this policy and the authority
- We have updated the list of authorising officers

The policy will be reviewed by officers and a reported presented each year to Members as to any required changes to the policy and guidance.

6. CONSULTATION

6.1 Consultation has taken place with the following parties:

- Director of Legal and Governance; and
- Chief Internal Auditor

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 The Audit Committee continues to be informed of the reviews of policy as well as receiving reports on the necessary and proportionate use to RIPA across the Authority through regular updates.

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.

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
Home Office Codes of Practice for Covert Surveillance and Property Surveillance

11. APPENDICES

11.1 Appendix A - Regulation of Investigatory Powers Act (RIPA) Policy

Peterborough City Council

Regulation of Investigatory Powers Act

Policy



Document Control

Purpose of document:	The approach to the use of RIPA powers and the process followed by Peterborough City Council when these powers are used
Intended audience:	Officers who may use directed covert surveillance as part of an investigation
Type of document:	Policy and procedure
Document lead/author	Ben Stevenson, Data Protection Officer
Other documents that link to this one:	RIPA toolkit on Insite
Document ratified/approved by:	Audit Committee
Version number:	Version 1.2
Issue date:	June 2018
Dissemination method:	Notification to staff via the Weekly Round-up newsletter and via All Staff notifications on the front page of Insite.
Date due for review:	March 2019
Reviewer:	Director of Legal and Governance

DOCUMENT REVISION RECORD:

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Introduction

The Regulation of Investigatory Powers Act 2000 ('RIPA') regulates covert investigations by a number of bodies, including local authorities.

The Revised Codes of Practice for use of such powers provide guidance to understand when RIPA applies and the procedures to follow. The Protection of Freedoms Act 2012 placed restrictions on when a local authority can use RIPA powers.

Authorisation under RIPA by one of the Council's Authorised Officers gives authority to carry out Covert Surveillance, acquire communications data and use Covert Human Intelligence Source.

Authorisation ensures that the powers conferred by RIPA are used lawfully and in a way that does not interfere with the surveillance subject's Human Rights. It also requires those authorising the use of covert techniques to give proper consideration to whether use is necessary and proportionate.

The purpose of this Corporate Policy and Procedures Document is to explain:

- the scope of RIPA and the circumstances where it applies; and
- the authorisation procedures to be followed following the Protection of Freedoms Act 2012

Key Role Definitions

Senior Responsible Officer – the Senior Responsible Officer (SRO) provides senior management oversight of the use of RIPA and provides assurance that the appropriate statutory controls are in place.

Our SRO is Fiona McMillan, Director of Legal & Governance.

Central Monitoring Officer (CMO) – the CMO will maintain the central registers for covert surveillance and communications data and is responsible for coordinating of training, updates of policies, procedures and inspections.

Our CMO is Ben Stevenson, Data Protection Officer.

Authorising Officer (RIPA) – an authorising officer must be of service manager or above rank and will consider the application made under RIPA. They will consider the information

provided by the applicant and determine whether there is necessity and proportionality in authorising the surveillance request.

For a list of authorising officers, please see Appendix 2.

Applying Officers – whether the application falls under RIPA, an applying officer is responsible for completing the application in full and providing sufficient details for the Authorising Officer to consider the application. The applying officer must never be the authorising officer.

Useful Websites

[General Guidance](#) from the Investigatory Powers Commissioner's Office

[Home Office guidance to local authorities on the judicial approval process for RIPA and the crime threshold for directed surveillance](#)

[RIPA Forms](#)

[Code of Practice- Surveillance, Covert Human Intelligence and Acquisition and Disclosure of Communications Data](#)

Basic determination of RIPA

It is critical that prior to any activity being undertaken, an officer and an authorising officer undertake an assessment of the activity proposed.

This assessment should follow the procedure as detailed below.

Question	Answer	Notes
1. Is the surveillance activity covert?	Yes – proceed to question 2	This means that a subject is unaware of the activity due to the way it being undertaken
2. Is the surveillance directed?	Yes – proceed to question 3	This means that the activity is for a specific investigation or purpose
3. Is the investigation into a criminal offence?	Yes – proceed to question 4	If it is not an investigation the alleged commission of a criminal offence then RIPA does not apply however you should always be able to show that you have considered whether RIPA does apply.
4. Are you likely to obtain confidential or private information	Yes – proceed to 5	If you are not likely to obtain such information then RIPA does not apply.
5. Does the offence meet the crime threshold?	If yes then RIPA applies	If it does not then RIPA does not apply however you should always be able to show that you have considered whether RIPA does apply.

Please refer to [Surveillance Checklist](#)

Covert Surveillance

What is Surveillance?

Surveillance includes:

- monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- recording anything monitored, observed or listened to in the course of surveillance; and
- surveillance by or with the assistance of a surveillance device.

When is surveillance covert?

Surveillance is covert when it is carried out in a manner calculated to ensure that the subject or others affected by the surveillance are unaware that it is or may be taking place.

RIPA regulates two types of covert surveillance namely directed and intrusive.

When is surveillance directed?

Surveillance is 'Directed' (Revised Codes of Practice paragraph 2.2) if it is covert and undertaken:

- it is covert, but not intrusive surveillance;
- it is conducted for the purposes of a specific investigation or operation;
- it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);
- it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

When is Surveillance Intrusive?

THE COUNCIL IS NOT AUTHORISED TO CARRY OUT INTRUSIVE SURVEILLANCE

Surveillance is intrusive, (Revised Codes of Practice paragraph 2.11) if it is covert and:

- is carried out in relation to anything taking place on any "residential premises" or in any "private vehicle"; and
- involves the presence of an individual or surveillance device in the premises or in the vehicle.

N.B. Surveillance which is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried

out without that device being present on the premises or in the vehicle is not intrusive unless the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

The Surveillance Checklist

Before any officer of the Council undertakes any **surveillance** of any individual or individuals they need to assess whether the activity comes within RIPA. In order to do this they need to ask themselves the following key questions.

Is the Surveillance Covert?

Covert surveillance is that carried out in a manner calculated to ensure that the subject of it is unaware it is or may be taking place.

If activities are open and not hidden from the subject of an investigation, RIPA does not apply. Conversely if it is hidden, consider whether surveillance is likely to be directed or intrusive.

Is it Directed?

This means whether or not it is for the purpose of a specific investigation or a specific operative. The use of surveillance for general purposes will not normally be 'directed' and will not therefore require RIPA authorisation. An example of this is the use of CCTV cameras for general area wide observation. *However*, if the surveillance is used as a means of targeting a specific person or persons then RIPA will apply if private information is likely to be obtained. In such circumstances Officers should also be mindful of the possibility of collateral intrusion (see pages 8 – 9) when applying for the appropriate authority.

Private Information

The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the

totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.

Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

If it is unlikely that observations will result in the obtaining of private information about a person then it is outside RIPA.

Is the crime threshold met?

The Protection of Freedoms Act 2012 introduced a *crime threshold* for local authorities wishing to carry out directed surveillance.

This means that local authorities can only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment,

- by a maximum term of at least 6 months' imprisonment **or**
- are related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

A local authority **may not authorise** the use of directed surveillance under RIPA to investigate disorder that does not involve criminal offences or to investigate low level offences such as littering, dog control and fly posting.

If the offence changes during an investigation and meets the threshold test, then an application may be made.

Is it proportionate?

In determining whether the activity is proportionate, paragraph 3.4 of the Revised Codes of Practice, the following must be considered:

- Have we balanced the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- Have we explained how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- have we considered whether the activity is an appropriate use of the
- legislation and a reasonable way, having considered all reasonable

alternatives, of obtaining the necessary result;

- have we evidenced, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

When surveillance falls outside of RIPA?

There will occasions when a council officer undertakes activity which does not meet the criteria of RIPA. Any activity whether governed by RIPA or not should be undertaken with clear consideration whether it is necessary and proportional to the objectives. It is incumbent on every officer to consider this prior to engaging in any kind of surveillance.

Given the potential for challenge by a subject during legal proceedings, it is the council's policy that such actions will still be governed by the RIPA framework to the extent that an officer must show that they have considered whether RIPA applies. This should be done by the using the Basic RIPA Determination at the start of this policy or Appendix 9 Checklist as an aide to the officers – this is an ongoing process for any investigation. It may be formalised during file reviews by managers, supervision meetings, prior to interviews or prior to the consideration of any legal proceedings. A manager or head of service should ensure that activities have followed the correct procedure.

Surveillance which can termed overt does not require authorisation – a visit to a property with the intention to speak to the occupier would not constitute surveillance. If there is no intention to speak to the occupier such as “drive pasts” to obtain information then this may become surveillance and therefore this policy applies. One visit to the property to obtain the details of a vehicle will not be considered surveillance however repeated visits to establish a pattern of behaviour will be considered and the appropriate form will be required.

CCTV

Peterborough City Council operates a CCTV system which can be used in surveillance where appropriate and where authorised. The corporate code of practice is available and covers the use by Police and non-Police agencies.

Peterborough City Council has an agreed protocol with Cambridgeshire Police which is held by the CMO and CCTV Manager.

Covert Use of Human Intelligence Source (“CHIS”)

The Revised Codes of Practice (paragraph 2.1) state that a person is a Covert Human Intelligence Source if:

(a) they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c);

(b) they covertly use such a relationship to obtain information or to provide access to any information to another person; or

(c) they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

Authorisation is not required where members of the public volunteer information to the Council as part of their normal civic duties or to contact numbers set up to receive information (e.g. a Housing Benefit Fraud hotline).

The Council can only use a CHIS if authorisation has been authorised and received judicial approval. Authorisation will only be given if the use of the CHIS is for the purpose of preventing or detecting crime or of preventing disorder.

Before use of a CHIS is authorised, advice must be sought from the Senior Responsible Officer or their appointed deputy.

The Conditions for Authorisation

Covert Directed Surveillance

For covert directed surveillance an Authorising Officer will not grant an authorisation unless he/she believes (and the prescribed forms require that the factors below are shown to have been taken into account):

- (a) that an authorisation is necessary; and
- (b) the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

An authorisation is necessary if:

- (a) The offence is punishable by a maximum term of six months imprisonment on conviction or is related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

An authorisation will be proportionate if the person granting the authorisation has balanced the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

The onus is therefore on the person authorising such surveillance to satisfy themselves it is:

- (a) necessary for the ground stated above; and
- (b) proportionate to its aim.

In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. The prescribed forms (held by the Authorising Officer) must be fully completed.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised. The use of stock phrases or cut and paste narrative should be avoided at all times to ensure that proper consideration is given the particular circumstances of each case.

Particular consideration should be given to collateral intrusion or interference with the privacy of persons other than the subject(s) of surveillance and wherever possible steps should be taken to avoid or minimise it. Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example in cases of premises used by lawyers or for any form of medical or professional counselling or therapy, or in a particular community.

Any application for authorisation should include an assessment of risk of any collateral intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the surveillance.

Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. In some cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

The applying officer should also undertake a surveillance assessment which includes a health and safety risk assessment, Appendix 8.

Judicial approval should then be sought. The corporate procedure for this can be found in Appendix 6.

See also Other Factors to be taken into account in certain circumstances.

Use of Covert Human Intelligence Sources

The same necessary grounds and proportionate principles apply but the crime threshold does not apply in this area.

The Conduct so authorised is any conduct that:

- a) is comprised in any such activities involving the use of a covert human intelligence source, as are specified or described in the authorisation;
- b) relates to the person who is specified or described as the person to whose actions as a covert human intelligence source the authorisation relates; and
- c) is carried out for the purposes of, or in connection with, the investigation or operation so specified or described.

In order to ensure that an Authorising Officer has sufficient information to make an informed decision the prescribed forms (held by the Authorising Officer) must be fully completed. Advice must have also been sought from the Senior Responsible Officer prior to the consideration of authorisation.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised.

The Authorising Officer must consider the safety and welfare of the source person acting as a Covert Human Intelligence Source and the foreseeable consequences to others of the tasks they are asked to carry out. A risk assessment should be carried out before authorisation is given. Consideration from the start, for the safety and welfare of the source person, even after cancellation of the authorisation, needs to be considered.

The Authorising Officer must believe that the authorised use of the source person as a Covert Human Intelligence Source is proportionate to what it seeks to achieve. Accurate and proper records should be kept about the tasks undertaken.

The applicant, and the Authorising Officer if required, will attend to obtain judicial approval. The corporate procedure can be found at Appendix 6.

The Applicant will have day-to-day responsibility for dealing with the source person and for the source person's security and welfare. They will be termed the **handler**. They will have responsibility for

- Dealing with the CHIS on behalf of the authority
- Directing the day to day activities of the CHIS
- Recording the information supplied by the CHIS
- Monitoring the CHIS's security and welfare

A senior manager, not the Authorising Officer, will at all times have general oversight of the use made of the source person and maintaining a record of such use. They will be termed the **controller** in accordance with the codes of practice. They will be responsible for the management and supervision of the handler and general oversight of the use of the CHIS.

The senior manager will need to comply with the Regulation of Investigatory Powers (Source Records) Regulations which requires that certain records be kept relating to each source. Each Authorising Officer has a copy of the aforesaid Regulations.

Use of social media in investigations

The use of the internet and its content such as social media such as Facebook, Instagram and Twitter in an investigation is permitted. In accessing such sites, officers must consider the issues of privacy and collateral intrusion.

Even though a person may have placed information about themselves or others in the public arena, they have done so with an expectation of a degree of privacy. Viewing information on the internet may constitute covert surveillance, particularly if there is monitoring of subjects involved for example to establish patterns of behaviour. Appendix 10 may assist officers in assessing whether their actions can be considered to be surveillance.

If an investigating officer enters into a 'conversation' with a profile, and the officer informs them that he is contacting them in his role as an employee of the council, then this contact will be overt and no authorisation will be required.

Where the activity does not include monitoring of material in the public domain, RIPA will not apply. If repeated visits to a site are made then this will constitute monitoring and consideration needs to be given to the use of social media or the internet as part of that investigation.

“Public setting”

If an investigating officer views for example a Facebook profile with whom they are not ‘friends’ which is not protected by any privacy settings the information can be treated as being in the public domain. Any initial viewing/visiting of this profile will be overt and authorisation under RIPA will not be required.

If the officer frequently or regularly views the same individual’s profile this is considered targeted surveillance and a RIPA authorisation is required should it meet the stated RIPA test in this policy. If it does not then the officer should be able to show that they have considered whether RIPA applied.

Using a covert identity

Where officers are building and maintaining a relationship with an individual without that individuals knowing the true nature for the purposes of an investigation, this will require an application for the use of a CHIS. This will include where an officer sends a friend request for example. Officers must not create a false identity to establish a profile. The agreed process for the use of a CHIS is detailed above.

Officers must not use their own accounts for work purposes nor for any form of surveillance.

Any use of the internet in an investigation must be fully documented, using Appendix 10.

Application and Authorisation Process

Should the criteria be met, an officer will need to submit a directed surveillance application form to an authorising officer. The application form must be the latest version available on the Home Office website to ensure we are using the most up to date.

All sections relevant to the application must be completed and in a manner in which any authorising officer can understand i.e. it is not necessary for the authorising officer to be a specialist in the applicant’s area.

The application must contain the following information

- A description of the investigation to date include details of the alleged offence which meets the crime threshold , details of subjects involved and an intelligence evaluation
- The conduct to be authorised must be described in detail
- Assessments of the local area, health and safety and risk have been completed
- Confirm the purpose of the operation and what it hopes to achieve
- What the operation will entail e.g. static, mobile, use of cameras.

- Where it will take place, when and how long will it last, remembering to be proportionate
- A description of what information will be obtained and how this will assist the investigation
- Explain why the directed surveillance is necessary i.e. it meets the crime threshold
- Explain the potential for collateral intrusion, why it is unavoidable and how it will be minimised.
- Explain how this is proportionate to what it seeks to achieve.
- Explain whether there is the likelihood of obtaining confidential information as defined by the codes of practice. This must be answered yes or no – stating that it is unlikely will not be accepted as this suggests it remains a possibility

This application should be submitted to the Authorising Officer to consider.

An authorising officer must review each case on its merits and explain why they authorise the conduct, considering necessity and proportionality along with any collateral intrusion.

Prior to seeking judicial approval, the application must be submitted to the CMO who will allocate a unique reference number. The corporate procedure for obtaining judicial approval should be adhered to. The CMO must be notified of the outcome and provided with a copy of the approval/refusal supplied.

Combined or Joint Services

As the Council works with its partner agencies such as Cambridgeshire Police or Cambridgeshire Fire and Rescue then consideration must be given to who makes the application and authorise. In a joint operation, one agency must be assigned as the lead and will obtain authorisation. If it is not the Council, we will still record this activity and ensure that our central record reflects this.

In instances where it is a joint or shared service, the appropriate lead authority must make the application with due regard for the governance arrangements at partner authorities.

Paragraph 3.17 of the Codes of Practice advises that where possible, public authorities should seek to avoid duplication of authorisations as part of a single investigation or operation. For example, where two agencies are conducting directed or intrusive surveillance as part of a joint operation, only one authorisation is required. Duplication of authorisations does not affect the lawfulness of the activities to be conducted, but may create an unnecessary administrative burden on authorities.

If the Council is tasked to undertake the surveillance on behalf of another agency then that agency should obtain authorisation. Council officers should ensure that they clearly understand the the precise nature of what has been authorised to ensure that they comply. Council officers must only undertake surveillance activity in line with this policy and the limitations of activities placed on local authorities by the Protection of Freedoms Act 2012.

Combined Authorisations

In line with Codes of Practice paragraph 3.12, a single authorisation may combine two or more different authorisations under RIPA however the provisions applicable for each of the authorisations must be considered separately by the appropriate authorising officer. It does not preclude the obtaining of separate authorisations .

Lapse of Authorisations

Authorisation should not be allowed to lapse. They should be reviewed and cancelled or renewed. However the legal position with regard to lapse is as follows:-

WRITTEN - Covert Human Intelligence Source - 12 months from the date of the approval of a magistrate or last renewal.

WRITTEN - Directed Surveillance – 3 months from the date of approval of a magistrate or last renewal.

Renewal of Authorisations

A Magistrate will be responsible for renewing an existing authorisation in the same terms at any time before it ceases to have effect.

However, for the conduct of a Covert Human Intelligence Source, an Authorising Officer should not renew unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them and information obtained. The renewal must be receive judicial approval.

Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after directed surveillance activity is no longer necessary.

Retention Period for Authorisations

Authorisations (together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period of 3 years. Where it is believed that the

records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review. It is each department's responsibility to securely retain all authorisations within their departments.

Reviews of Authorisations

Regular review of authorisations should be undertaken to assess the need for the surveillance/CHIS to continue. The results of the review need to be sent for recording on the Central Register.

Cancellation of Authorisations

The Authorising Officer who granted or last renewed the authorisation must cancel it if he is satisfied the authorisation no longer meets the criteria upon which it was authorised. No authorisation should be left to simply expire.

The process for cancellation is for the investigating officer to submit the cancellation form to the Authorising Officer. This cancellation should detail the reason for cancellation, the benefits or issues arising of the operation and any outcome. It should also include the time spent on the operation. A copy of this form must be forwarded to the CMO to retain on the central record.

Immediate response to situations

The ability for a local authority to grant urgent oral authorisation for use of RIPA has been removed. It is recognised that council officers find themselves in a situation where they need to carry out some form of surveillance without the time to complete a form and obtain authorisations. In these instances, the officer should obtain authorisation from their line manager and also record their reasons, actions, what was observed and be prepared to explain their decisions.

Other Factors

Spiritual Counselling

No operations should be taken in circumstances where investigators believe that surveillance will lead to them intruding on spiritual counselling between a Minister and a Member of his/her faith. In this respect, spiritual counselling is defined as conversations with Minister of Religion acting in his-her official capacity where the person being counselled is seeking or the Minister is imparting forgiveness, or absolution of conscience.

Legally Privileged and Confidential Material

RIPA does not provide any special protection for 'confidential material'. (Revised Codes of Practice paragraph 4.1) Nevertheless, such material is particularly sensitive, and is subject to additional safeguards (see also Appendix 1). In cases where the likely consequence of the conduct of a Covert Human Intelligence Source would be for any person to acquire knowledge of confidential material, the deployment of the Covert Human Intelligence Source should be subject to consultation with the Chief Executive and Senior Responsible Officer.

In general, any application for an authorisation which is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken where the target of the investigation is likely to be involved in handling confidential material. Such applications should only be considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything that may fall within the definition of confidential material. If there is doubt as to whether the material is confidential, advice should be sought from the Head of Legal Services before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for a specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Principal Lawyer) is satisfied that it is necessary for a specific purpose;

The retention of dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information.

Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose. This should only be with the approval of the Chief Executive and Senior Responsible Officer.

Data Protection

Authorising officers must ensure compliance with the appropriate data protection requirements and the relevant codes of practice in the handling and storage of material. Where material is obtained by surveillance, which is wholly unrelated to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, It should be destroyed immediately. Consideration of whether or not unrelated material should be destroyed is the responsibility of the Authorising Officer.

RIPA does not prevent material obtained through the proper use of the authorisation procedures from being used in other investigations. However, the use outside the Council, of any material obtained by means of covert surveillance and, other than in pursuance of the grounds on which it was obtained requires authorisation by the Director of Legal and Governance.

Vulnerable Individuals

The use of a vulnerable individual as a Covert Human Intelligence Source requires authorisation by the Chief Executive or their delegated deputy. The use must always be referred to the Senior Responsible Officer or their deputy for advice prior to authorisation. Such an individual should only be used as a Covert Human Intelligence Source in exceptional circumstances. A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself or unable to protect himself or herself against harm or exploitation.

Community Sensitivities

Officers should always consider whether there are any particular sensitivities within our communities and take these into account if planning surveillance activities in those areas.

Juveniles

The use of a juvenile (under 18) as a Covert Human Intelligence Source requires authorisation by the Chief Executive or their delegated deputy. The use must always be referred to the Senior Responsible Officer or their deputy for advice prior to authorisation

Errors

Any error such as activity undertaken which was not authorised or is conducted beyond the directions of the authorising officer. It will also include failure to declare thorough reviews, renewals, cancellation and poor administration. Any such errors must be reported to the SRO and Central Monitoring Officer.

Central Register of Authorisations

It is a requirement of the revised Code of Practice for Surveillance, paragraph 8.1, that a central register of all authorisations, reviews, renewals, cancellations etc is maintained and regularly updated. The CMO maintains this Register.

It is the Authorising Officer's responsibility to ensure that any application under RIPA is forwarded to the CMO for central registration **within one week of the relevant authorisation, review, renewal, cancellation or rejection**. Each application will be allocated a Unique Reference Number (URN) at this stage and will be monitored by the Compliance Manager to ensure compliance with timescales.

Whenever an authorisation is granted, renewed or cancelled (and this includes authorisations issued by the Police or other third parties using Council CCTV or other facilities) the Authorising Officer must arrange for copies to be forwarded to the CMO. Receipt will be acknowledged.

Codes of Practice

There are Home Office Codes of Practice that expand on this guidance and copies are held by each Authorising Officer. They can be accessed [here](#) and officers should ensure that they are consulting the latest version.

The Codes do not have the force of statute, but are admissible in evidence in any criminal and civil proceedings. As stated in the Codes, "if any provision of the Code appears relevant to a question before any Court or tribunal considering any such proceedings, or to the tribunal established under RIPA, or to one of the commissioners responsible for overseeing the powers conferred by RIPA, it must be taken into account".

Benefits of Obtaining Authorisation under RIPA

RIPA states that if authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then it shall be “lawful for all purposes”.

Acquisition of Communications Data

Communications data means any traffic or any information that is or has been sent via a telecommunications system or postal system, together with information about the use of the system made by any person.

There are two powers granted by S22 RIPA in respect of the acquisition of Communications Data from telecommunications and postal companies (“Communications Companies”).

S22 (3) provides that an authorised person can authorise another person within the same relevant public authority to collect the data. This allows the local authority to collect the communications data themselves, i.e. if a Communications Service Provider is technically unable to collect the data, an authorisation under the section would permit the local authority to collect the communications data themselves.

In order to compel a Communications Service Provider to obtain and disclose, or just disclose Communications Data in their possession, a notice under S22 (4) RIPA must be issued. This must be follow the judicial approval process as outlined in Appendix 5.

The sole ground to permit the issuing of a S22 notice by a Permitted Local Authority is for the purposes of “preventing or detecting crime or of preventing disorder”. The issuing of such a notice will be the more common of the two powers utilised, in that the Communications Service Provider will most probably have means of collating and providing the communications data requested.

Once a notice has been issued, it must be sent to the Communications Service Provider. In issuing a notice, the Authorising Officer can authorise another person to liaise with the Communications Service Provider covered by the notice.

Application procedure

Should you wish to make an enquiry, contact should be made with the Head of Regulatory Services to consider the request to be made via Trading Standards who have two named authorised officers. The request will be made through NAFN and their process adhered to.

The applicant and authorising officer will need to explain:

- the specific information required with reference to paragraph 3.30 of the codes of practice to streamline the process when dealing with number porting and also to take a more proactive approach to data capture such as top up details when identifying the user of a prepaid mobile.
- why it is relevant
- why it is necessary
- why it is proportionate
- how they will minimise collateral intrusion

A unique reference number should be obtained from the CMO before submission to NAFN. The CMO will record the details.

Once authorised by NAFN, the applicant should follow the procedure for obtaining judicial approval.

Training

There will be a bi-annual programme of training for officers, which may include face to face or e-learning training. Refresher training will be provided on a biannual basis. Officers may be required to confirm they have read documentation and have understood the intervening times.

Only formally trained Authorised Officers will be permitted to authorised applications.

Oversight

Members

The use of RIPA powers will be a standing item on the agenda for the Audit Committee. An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

Senior Management

An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

The Investigatory Powers Commissioner's Office

The Investigatory Powers Commissioner will keep under review, the exercise and performance by the persons on who are conferred or imposed, the powers and duties under RIPA. This includes those Authorising Officers authorising Covert Directed Surveillance and the use of Covert Human Intelligence Sources and the maintenance of the Central Register.

A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Complaints can be made by persons aggrieved by conduct e.g. direct surveillance. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that.

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to any person. The Council is however, under a duty to disclose or provide to the tribunal all documents they require if:

- A Council officer has granted any authorisation under RIPA.
- Council employees have engaged in any conduct as a result of such authorisation.

A disclosure notice requirement is given.

Relevant case law

There is relevant caselaw which includes but is not limited to:

R v Johnson

In this case the Court of Appeal provided criteria that must be adopted if premises used for observation purposes by the Police are not to be disclosed in open court.

Should PCC wish not to disclose the premises used for the observation, then following the rational in this case it would appear that the Authorising Officer must be able to testify that immediately prior to trial:

- he/she visited premises to be used for observation
- he/she obtained and recorded the views of the owner and/or occupier in respect of the use made of the premises and the possible consequences of disclosure which could lead to identification of the premises and occupiers.

Such views must be recorded and the record marked as sensitive. If this issue arises please contact the Director of Governance for appropriate advice.

R v Sutherland 2002

The recording and handling of confidential material (legal privilege) obtained as a result of recording equipment deployed in the exercise area of two police stations. In this matter, the activity exceeded that which had been authorised and the case against Sutherland collapsed. This emphasises the requirement to ensure that all activity is authorised prior to the operation and any errors are reported.

Peck v United Kingdom [2003]

The applicant was filmed by a CCTV camera operated by Brentwood Borough Council in a public street shortly after he had attempted to commit suicide. The council subsequently released two still photographs taken from the CCTV footage to show the benefits of CCTV. Peck's face was not specifically masked. These pictures subsequently appeared on regional television but his face was masked. Peck sought to challenge the authority's decision but was rejected by the Court of Appeal. He took the matter to the European Court of Human Rights where he was successful. The case establishes the right to privacy in a public area, even if it is a reduced level.

Martin v. United Kingdom [2004] European Court App

Alleged disorderly behaviour by M towards neighbour. Local Authority mounted covert surveillance of M on the basis that the surveillance by video was justified as the surveillance was targeted at behaviour which was visible to a neighbour or passer by. Claim of Article 8 infringement settled by agreement with damages awarded to Martin.

R v. Button and Tannahill 2005

Audio and video recording of defendants while in police custody. Audio recording had been RIPA authorised; video recording was not authorised. Video record admitted in evidence although common ground that it had been unauthorised and so obtained unlawfully (in breach of s.6 Human Rights Act 1998). *It was argued on appeal that the trial Court was itself in breach of s.6 by admitting the evidence. Held that the breach of article 8 related to the intrusion upon private life involved in the covert surveillance. So far as a trial Court is concerned: any such breach of article 8 is subsumed by the article 6 (and P.A.C.E.) duty to ensure a fair trial. The trial judge had not acted unlawfully by admitting the evidence.*

C v The Police and the Secretary of State for the Home Department (2006, No: IPT/03/32/H)

A former police sergeant (C), having retired in 2001, made a claim for a back injury he sustained after tripping on a carpet in a police station. He was awarded damages and an

enhanced pension due to the injuries. In 2002, the police instructed a firm of private detectives to observe C to see if he was doing anything that was inconsistent with his claimed injuries. Video footage showed him mowing the lawn. C sued the police claiming that they had carried out Directed Surveillance under RIPA without an authorisation. The Tribunal ruled that this was not the type of surveillance that RIPA was enacted to regulate. It made the distinction between the ordinary functions and the core functions of a public authority:

“The specific core functions and the regulatory powers which go with them are identifiable as distinct from the ordinary functions of public authorities shared by all authorities, such as the employment of staff and the making of contracts. There is no real reason why the performance of the ordinary functions of a public authority should fall within the RIPA regime, which is concerned with the regulation of certain investigatory powers, not with the regulation of employees or of suppliers and service providers.”

APPENDIX 1 Confidential Material

Confidential Material

“Confidential Material” consists of:

- matters subject to legal privilege;
- confidential personal information; or
- confidential journalistic material.

Matters subject to legal privilege” includes both oral and written communications between a professional legal adviser and his/her client or any person representing his/her client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or referred to in such communications. Communications and items held with the intention of furthering a criminal purpose are not matters subject to legal privilege (see Note A below).

“Confidential Personal Information” is information held in confidence concerning an individual (whether living or dead) who can be identified from it, relating;

- to his/her physical or mental health; or
- to spiritual counselling or other assistance given or to be given, and

- which a person has acquired or created in the course of any trade, business, profession or other occupation, or for the purposes of any paid or unpaid office (see Note B below). It includes both oral and written information and also communications as a result of which personal information is acquired or created. Information is held in confidence if:
 - it is held subject to an express or implied undertaking to hold it in confidence; or
 - it is subject to a restriction on disclosure or an obligation of secrecy contained in existing or future legislation.

“Confidential Journalistic Material” includes material acquired or created for the purpose of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

Note A. Legally privileged communications will lose their protection if there is evidence, for example, that the professional legal adviser is intending to hold or use them for a criminal purpose; privilege is not lost if a professional legal adviser is properly advising a person who is suspected of having committed a criminal offence. The concept of legal privilege shall apply to the provision of professional legal advice by any agency or organisation.


Note B. Confidential personal information might, for example, include consultations between a health professional or a professional counsellor and a patient or client, or information from a patient’s medical records.

APPENDIX 2 Authorising Officers (RIPA)

Fiona McMillan	Interim Director of Law & Governance	452361	fiona.mcmillan@peterborough.gov.uk
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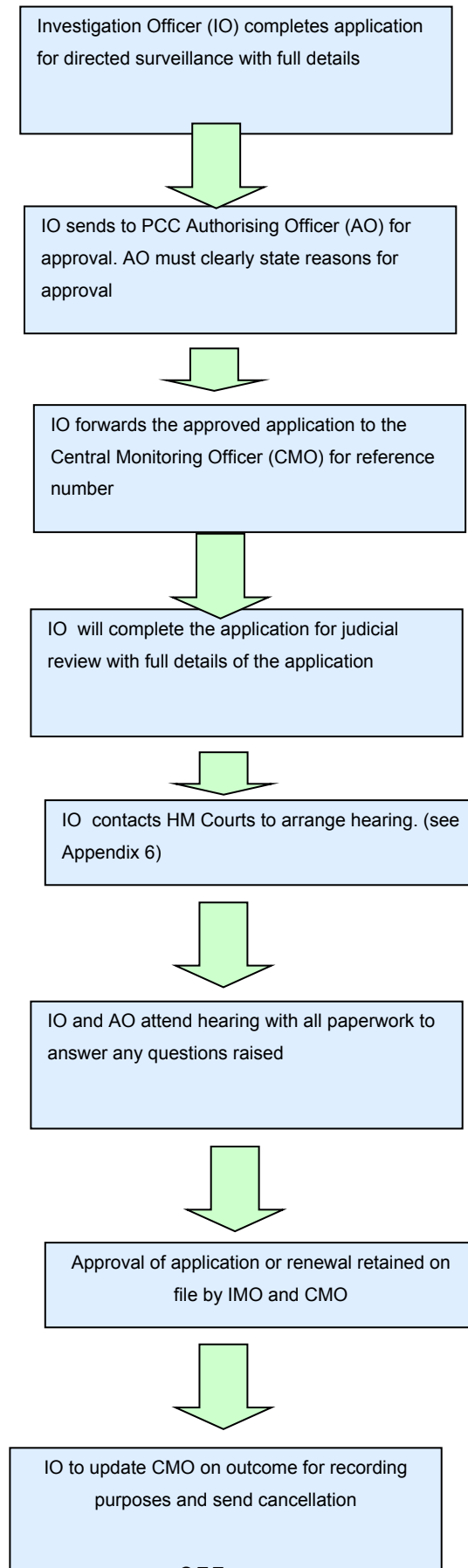
Peter Gell	Head of Regulatory Services	453419	peter.gell@peterborough.gov.uk
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Rob Hill	Assistant Director, Communities & Safety	864715	rob.hill@peterborough.gov.uk
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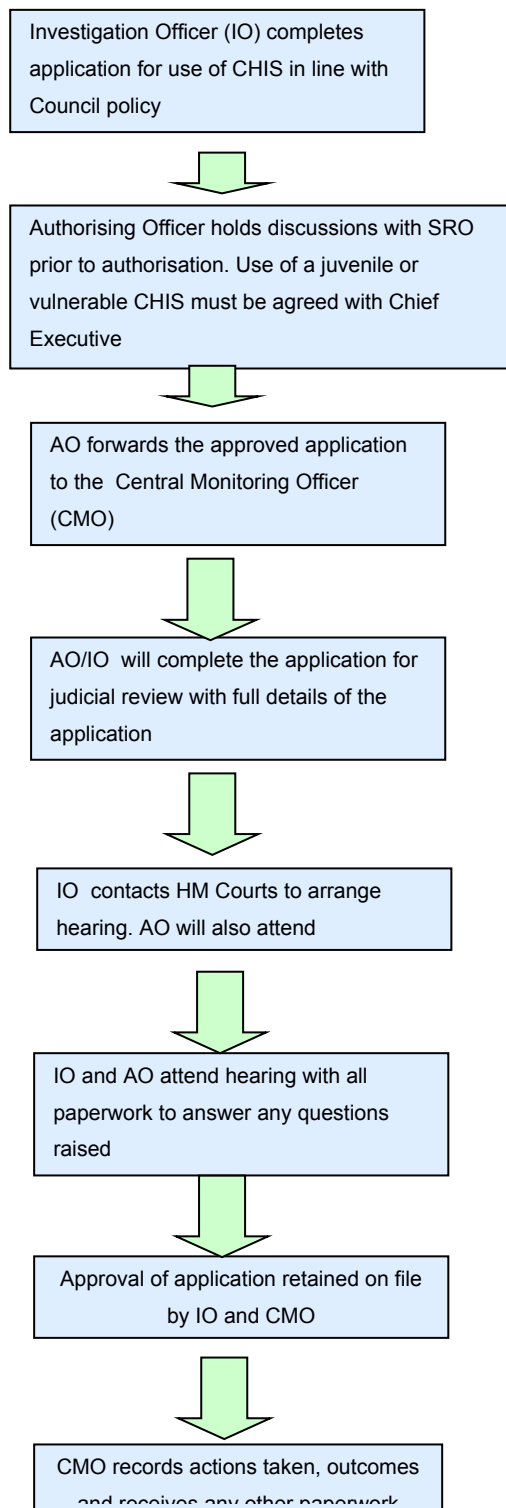
Ben Stevenson	Central Monitoring Officer	452387	Ben.stevenson@peterborough.gov.uk
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APPENDIX 3 Procedure for directed surveillance application

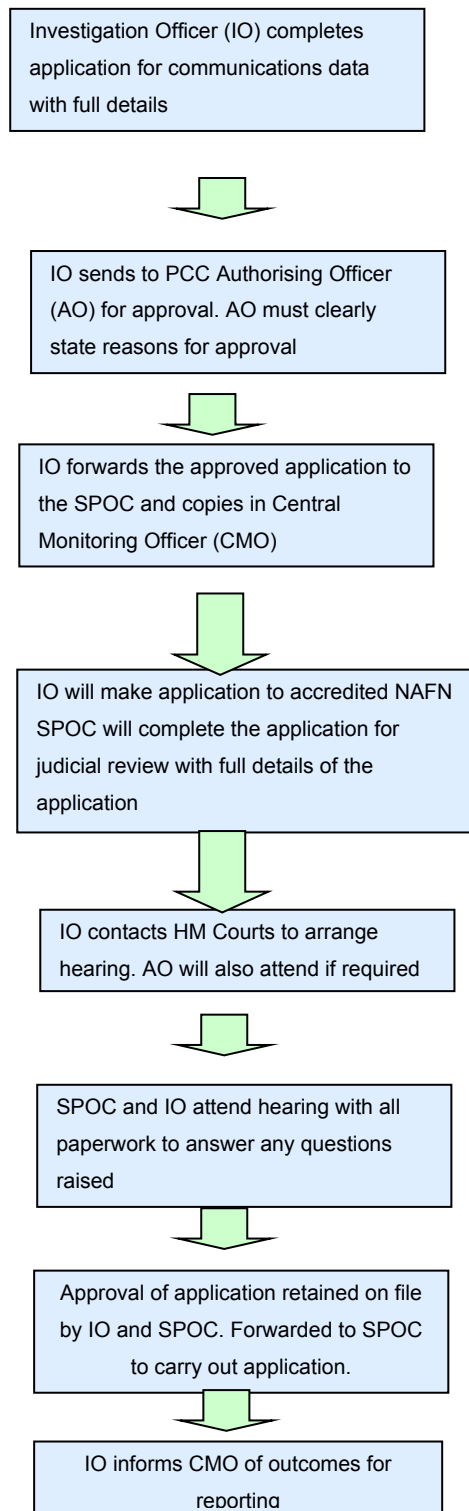


APPENDIX 4 Procedure use of Covert Human Intelligence

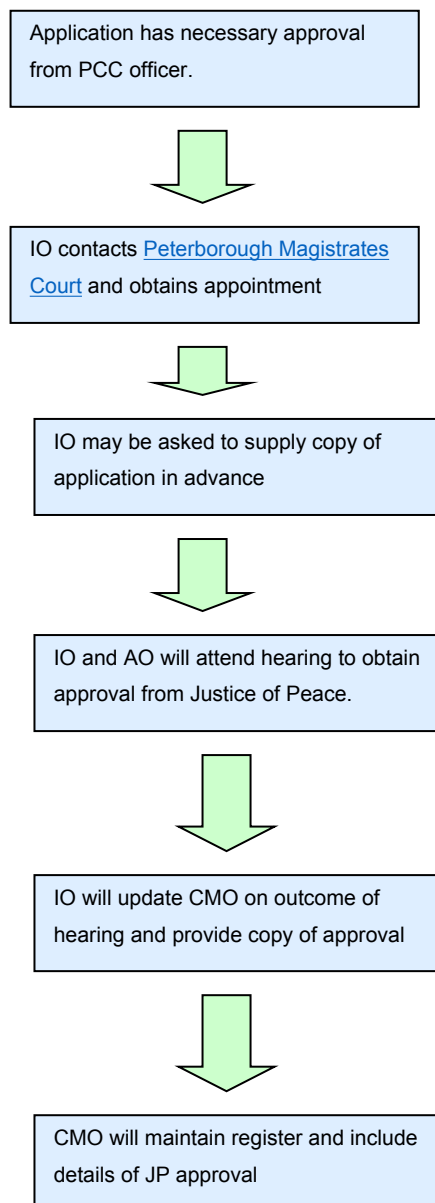
Source



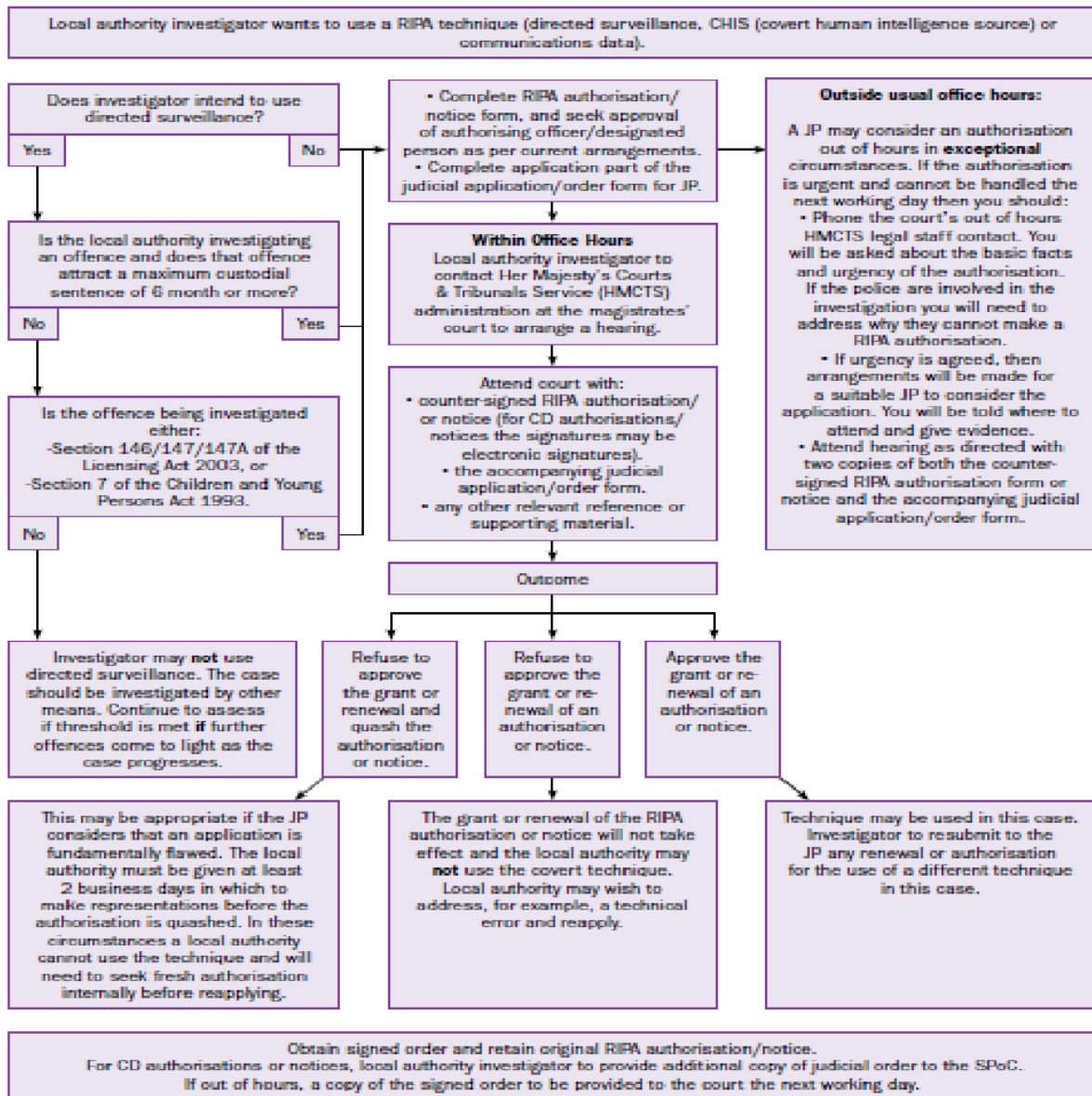
APPENDIX 5 Procedure for obtaining communications data



APPENDIX 6 Procedure for obtaining judicial approval



APPENDIX 7 Statutory process for obtaining judicial approval



APPENDIX 8 Surveillance Assessment

	Notes
<u>Specific location</u> <ul style="list-style-type: none"> ● Type of property ● Residents ● Number and locations of entrances/exits ● Vehicular access ● Any obstructions ● Any risks 	
<u>General Area</u> <ul style="list-style-type: none"> ● Type of area e.g. residential or commercial ● Shops in locality ● Schools ● Any potential hazards 	
<u>Subject</u> <ul style="list-style-type: none"> ● Identity ● Potentially violent ● Vehicles used ● Any known other sites 	
<u>Collateral intrusion</u> <ul style="list-style-type: none"> ● Detail any other individuals of whom private information may be captured ● Associates ● Family Children 	

<ul style="list-style-type: none"> • How will it be limited e.g. times, techniques 		
<u>Observation Point</u> <ul style="list-style-type: none"> • Is location approved? • Does it require use of another building? • Routes to and from • In event of discovery of operation, agreed movement 		
<u>Equipment</u> <ul style="list-style-type: none"> • What is being used? • Do they work? • Any issues regarding signal reception on phones 		
Health and Safety Assessment		
Hazard (including who may be harmed)	Level of Risk	Mitigating controls

Appendix 9 – Non RIPA Applications

RIPA Determination Checklist

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
I have considered the following and confirm that no activity requiring authorisation under RIPA is required. If the answer is yes to each question then RIPA <u>did or does</u> apply.			
<i>Is or was activity considered to be covert surveillance?</i>	Yes	No	
<i>Is or was the surveillance directed?</i>	Yes	No	
<i>Is or was the investigation into a criminal offence?</i>	Yes	No	
<i>Is or was confidential or private information likely to be obtained?</i>	Yes	No	
<i>Did or does the offence meet the crime threshold?</i>	Yes	No	
<i>Signed</i>			
Line Manager/File Review: I have reviewed and considered that there has been no activity which required authorisation under RIPA.			
Name:			
Signed:			
Date:			

Appendix 10 - Social Media/Internet Access Log

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
Case including reference			

Visits number	Date	Site Accessed	Reason	Information obtained	Public or Private?

Please note repeated visits will be considered monitoring and you should seek advice on making an appropriate application

You should not use a false identity or build/maintain a relationship to obtain private information about someone.

If you have obtained private information then you should consider an appropriate application

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AUDIT COMMITTEE	AGENDA ITEM No. 13
16 JULY 2018	PUBLIC REPORT

Report of:	Councillor Over, 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.

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

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2018 - APRIL 2019

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AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Sector Update (2018 Q1 Audit Committee Briefing)	A briefing note on GDPR and training session to be organised by the Compliance Manager (Governance)	Ben Stevenson	Note circulated to members		Has been circulated, training session in diaries for 19 July 2018
Consultant, Interim and Agency Worker Policy	A quarterly report on Consultants and Interims to be presented to Audit Committee	Peter Carpenter	Item to be reported back to Committee on Quarterly basis		Will be coming on regular basis to Committee
Risk Management - Strategic Risks	The Cabinet Member for Resources to discuss with the Leader of the Council the importance of Peterborough's representation on all Combined Authority Committees	Cllr David Seaton	Cllr Seaton to discussed with the Leader		
Internal Audit Strategy, Charter and Audit Plan	Adult Social Services to provide training to each Political Group how their budget was spent and the pressures they faced.	Directors - People and Communities	Overview given to new Cllrs and offered to speak to each group.		Offer made in new councillor training sessions

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AUDIT COMMITTEE	AGENDA ITEM No. 14
16 JULY 2018	PUBLIC REPORT

Report of:	Councillor Over, 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 2018/18

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

It is recommended that the Audit Committee:

1. Notes and agrees the Work Programme for the municipal year 2018/19.

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 2018/19

APPENDIX A

DATE: 16 JULY 2018			
		Section / Lead	Description
	Annual Governance Statement	Internal Audit Steve Crabtree	To consider and endorse the development of the Annual Governance Statement as included in the accounts.
	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 2018.
	Investigations Team Annual Report 2017 / 2018	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 2018.
	Capital and Treasury Outturn 2017 / 2018	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2017/2018
	Audit of Statement of Accounts To Those Charged with Governance (ISA260) including Annual Governance Statement	Finance Pete Carpenter & EY	To receive the final Statement of Accounts for the year ended 31 March 2018 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Audit Plan Update	EY	To receive an update on the Audit Plan from EY, to review their proposed approach and scope for the 2017/18 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	Fees report	Finance Pete Carpenter	To approve the fees for the Municipal year 2018/2019
	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/Chris Yates	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Draft Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 24 SEPTEMBER 2018

		Section / Lead	Description
	Treasury Management	Finance Pete Carpenter	To receive an update on the policy and effectiveness of treasury management
	Risk Management: Strategic Risks	Governance Simon Machen	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	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.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 19 NOVEMBER 2018

		Section / Lead	Description
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Treasury Management: Strategy	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
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	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.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 11 FEBRUARY 2019

		Section / Lead	Description
	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	
	Risk Management: Strategic Risks	Governance Simon Machen	To receive an update on the strategic risks for the Council
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.

	Approved Write-Offs Exceeding £10,000	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 25 MARCH 2019

		Section / Lead	Description
	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 2018 / 2019	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2018 / 2019
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	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.
	Feedback report	Democratic Services Dan Kalley	

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