

AUDIT COMMITTEE

MONDAY 13 JULY 2020
5.00 PM

VENUE: [Peterborough City Council Youtube Page](#)

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

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1. Apologies for Absence	
2. Declarations of Interest	
<p>At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.</p>	
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Committee Members:

Councillors: D Over (Chairman), A Shaheed, Warren, Joseph, Coles, Jones and D Fower

Substitutes: Councillors: Lillis, Burbage, Iqbal and Nawaz

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



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 27 JANUARY 2020
BOURGES/VIERSEN, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Joseph, Shaheed, A Coles, Fower, S Nawaz and Warren

Officers in

Attendance: Peter Carpenter, Acting Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Head of Corporate Finance

Also in

Attendance: Councillor David Seaton, Cabinet Member for Finance

32. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Jones. Councillor Shaz Nawaz attended as substitute.

33. DECLARATIONS OF INTEREST

No declarations of interest were received.

34. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 NOVEMBER 2019

The minutes of the meeting held on 18 November 2019 were agreed as a true and accurate record.

35. INTERNAL AUDIT PLAN 2020/21: APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the Internal Audit Plan: Approach and Emerging Themes.

The purpose of the report was to provide Members with details of current and emerging issues which were seen as potential risks to the delivery of quality services to the Council. It provided an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.

The Chief Internal Auditor introduced the report and informed members that the report outlined proposals on future audits. Information to complete the audits came from various sources including the risk register, discussions with team managers and national issues. The team could not cover all aspects throughout the year, however effort would be put into trying to obtain assurances as far as possible. Some areas of work were grouped together so that the team can cover as much work as possible.

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

- With regards to the Fair Tax Mark procurement had set out a questionnaire six to eight weeks ago to start building up a knowledge base. A change in procurement rules would take place if they did not comply.
- In terms of Brexit there was still a period of 11 months of negotiations. As these negotiations progressed the Council would have to look at their framework and make changes as appropriate, this would include looking at the Councils supply chains to see if there were any EU implications.
- The audit team prioritised work by pulling together all audits and looked at those areas with the biggest risk. This was then measured and assessed and a score applied. However members were informed that some risks might not score highly at the start of the year but become issues during the year in which case the team would then put more focus on that issue.
- The Audit plan was a fluid document and could be changed within the throughout the municipal year depending on any issues that may come up.
- In terms of the Business Improvement District, there was no way of knowing whether businesses were going to pay the levy. A vote was due to be taken in October this year.

The Audit Committee considered and **RESOLVED** (Unanimously) to note and comment upon the emerging themes to be considered for inclusion in the 2020 / 2021

36. NATIONAL FRAUD INITIATIVE: INVESTIGATING ALLEGATIONS OF FRAUD

The Audit Committee received a report in relation to the National Fraud initiative: Investigating Allegations of Fraud.

The purpose of the report was to provide Members with details of current initiatives to investigate fraud.

The Chief Internal Auditor introduced the report. Members were informed that the Cabinet Office had recently published data over a two year period outlining cases of fraud that had been reported by local authorities. The report outlined matches that occurred, helping local authorities identify common issues across the board. There had been an initial 2400 data matched results requiring review

which these were labelled either high, medium or low risk. Some of the findings around blue badges highlighted that some could still be used fraudulently as the Council did not know if someone had passed away, however this was being rectified as family members now had to record if a relative had a blue badge. With regards to Council Tax and the single person discount there had been a number of investigations taken place that had identified an extra £61,000 income for the Council.

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

- With regards to parking permits there was a review currently in place and this would be made available to members once all work had been carried out.
- One of the biggest issues the Council faces in terms of detecting fraud early is the quality of the data. In an ideal world it would be beneficial if one system records the data which can then filter to other data sources, making it easier to update any anomalies in the system.
- In terms of cyber fraud this was an area that ordinarily would not form part of this exercise, however it was an area to look at in more detail separately going forward.

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

1. Note progress and the outcomes to date in relation to tackling fraud against the Council through the National Fraud Initiative; and
2. Note results from national studies to raise awareness of the extent and types of fraud impacting on the public purse.

37. ASSET INVESTMENT ACQUISITION STRATEGY AND ASSET MANAGEMENT PLAN

The Audit Committee received a report in relation to the Asset Investment Acquisition Strategy and Asset Management Plan.

The purpose of the report was to provide the Committee with an opportunity to comment on the draft strategy and plan before being adopted by Full Council as part of the Medium Term Financial Strategy (MTFS).

The Acting Corporate Director Resources introduced the report and explained that the Asset Management Plan and Acquisition Strategy set out the rules around how the Council can purchase assets and manage these. The report had already gone to Cabinet for their comments and feedback and formed part of the MTFS. Both strategies had been substantially re-written for the 2019/20 financial year and have to be updated on a yearly basis. Although there was no information on the climate change emergency this was to be updated following the report to be published by the Executive Director of Place and Economy. The current value of the property portfolio was £425 million and included 1700 assets in total.

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

38. 2020/21 DRAFT TREASURY MANAGEMENT STRATEGY (TMS)

The Audit Committee received a report into the 2020/21 Draft Treasury Management Strategy (TMS).

The purpose of the report was to allow the Audit Committee the opportunity review the prudential indicators in line with consultation timelines for the MTFS.

The Acting Corporate Director Resources stated that part of scrutiny process was for the Audit Committee to review the draft treasury management strategy before being approved. The Prudential code in 2003 underpinned the MTFS. There were nine indicators in total that the formed part of the draft strategy. If there were any changes to the indicators that were needed it would have to go through Full Council.

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

- The Council tries to attract grants from external funding first. Council borrowing was a last resort, it was therefore beneficial to maximise external funding first. As outlined in the report the Council had a maturity profile in which to redeem debt on a regular basis.
- Guidance was given two years ago in response to a few councils investing large sums of money in asset acquisition without taking account of the risks. The Ministry of Housing Communities and Local Government produced the guidance as this was not in the spirit of what debt was for. There were examples of local authorities buying industrial units that were more than 22 miles outside the range of what the guidance had indicated was reasonable.
- Councils now had to weigh up whether it was worth having a housing revenue account if the interest was too high.
- There were occasions where councils borrowed from other councils in order to assist cash flow. Some of the best interest rates were from borrowing from other local authorities.

The Audit Committee considered and **RESOLVED** (Unanimous) to review and comment on the draft 2020/21 Treasury Management Strategy (TMS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2020

39. USE OF CONSULTANTS – UPDATE REPORT

The Audit Committee received a report in relation to the use of consultants for the financial year 2019/20

The purpose of the report was to provide the Committee with an update on the use of consultants over the past financial year.

The Acting Corporate Director Resources introduced the report and explained that the additional spend on consultants this year was due to the work being carried out by Grant Thornton which had so far identified over £14 million of savings to the Council. However the amount spent on agency staff had reduced significantly in comparison to previous years. Processes were in place for approving some agency staff.

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

- Consultants were primarily used for large projects and purposes and for specific reasons. In addition consultants had deliverables and reports on this would have to be signed off by senior officers. The Council did not always have the necessary resources and skills to be able to deliver on some projects or areas of work. There were always going to be times when the Council needed to call upon consultants or agency staff due to the demands placed on permanent staff to deliver services to the public.
- Officers agreed to see if it was possible to compare the amount the Council used on consultants with other similar sized authorities.
- The increase in consultants figure was primarily down to work carried out over the budget, looking at ways the Council could make savings. So far the consultants had identified £18 million in potential savings.
- The Council followed the institute of procurements definition of consultancy when defining what a consultant was.
- Reena consulting were brought in as they were specialists in energy and were able to validate the figures given so that firms could bid for the empower loan.
- Ernst Young had been auditors for few years and understand the Councils accounts, however it would be a conflict of interest for them to be used to identify savings. In addition the Council had asked the Local Government Association (LGA) to assist as well.

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

40. FEEDBACK REPORT

The Audit Committee received a report in relation to the feedback from previous actions raised.

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

41. WORK PROGRAMME

The work programme was to be updated to remove the external examination of internal audits as this took place every five years and had been completed last year.

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

7:00pm – 7.56pm
Chairman

AUDIT COMMITTEE	AGENDA ITEM NO: 4
13 JULY 2020	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Seaton	
Committee Member(s) responsible:	Councillor Over, Chair of Audit Committee	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance Services	Tel. 452398 Tel. 384564

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

R E C O M M E N D A T I O N S	
FROM : Acting Director of Corporate Resources	Deadline date : 31 July 2020; statutory deadline for CFO to approve Accounts
1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 September 2020	

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2019/20 Code of Practice (the Code) and these are followed in the preparation of the 2019/20 Statement of Accounts.
- 2.3. The 2019/20 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020.*¹
- 2.4. 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.
- 2.5. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

¹ <http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

- 2.6. The Accounts must be signed and certified by 30 September 2020 by the Council's Section 151 officer / Chief Finance Officer (Acting Director of Corporate Resources), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020.
- 2.7. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2020.
- 2.8. The Audit Committee is required to approve the Accounts no later than 30 November 2020 following, and in the knowledge of, the audit findings.
- 2.9. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.
- 2.10. The Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (EY) which was noted in the papers for Audit Committee in March 2020. Due to the wider impact of Coronavirus generally there are additional considerations and changes in risk profile that the External Auditor is required to gain assurance and be satisfied of the accounting treatment the Council has adopted. The Audit Plan provided in March will not be amended, however the approach applied and focus on the impact of Coronavirus and the subsequent risk management will be an enhanced feature of the audit. An overview of the amended approach will be provided by the External Auditor at this meeting.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. KEY POINTS

- 4.1. The 2019/20 draft Statement of Accounts is shown in Appendix 1.
- 4.2. The presentation of the draft Statement of Accounts provides Audit Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the November Audit Committee meeting.
- 4.3. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2019/20 and the publication date for audited accounts will move from 31 July to 30 November 2020 for all local authority bodies.
- 4.4. To give the Council more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period **on or before** the first working day of September 2020. This means that accounts that must be confirmed by the responsible finance officer (CFO) and published by 31 August 2020. The Council has published the dates of the public inspection period on the Council's Website.
- 4.5. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.

4.6. The key contents of the Statement of Accounts document are as follows:

- *Narrative Report* - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council;
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2020;
- *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 2019/20;
- *Notes to the Financial Statements* - the various statements are supported by technical Notes and by the *Statement of Accounting Policies*;
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council; and
- *Group Accounts* – shows the transactions of Aragon Direct Services: and
- *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 30 November 2020, following its approval.

Balance Sheet at 31 March 2020

- 4.7. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2020 with the comparative figures for 31 March 2019. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.
- 4.8. Current assets have increased by £2.2m, the majority of this movement is the increase in Short Term Debtors (money owed to the Council) by £6.4m and a decrease in Cash and Cash Equivalents of £4.8m.
- 4.9. Long Term Liabilities have decreased by £129.0m. This is from a combination of a reduction in long term borrowing of £17.5m due to a change in strategy to use short term borrowing to support the Council's capital investment programme and a reduction in the Pensions Liability of £110.5m. This is a result of a decrease in the assessed value of scheme liabilities as a lower value is placed on benefits that will be paid in the future.

Reserves and Balances

- 4.10. As reported to Council in March 2020, the Acting Director of Corporate Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2019/20 is £5.1m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.11. Reserves are split into two categories:
- Unusable reserves are those reserves that absorb the timing differences arising from different accounting arrangements eg Pensions Fund reserve.
 - Useable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. However, the Council is restricted in the use of some of the useable reserves such as school balances that can only be spent by schools and capital grants unapplied account which can only be used to finance the Capital Programme.
- 4.12. The total balance held in reserves has moved by £107.3m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Capital Adjustment Account.
- 4.13. 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. As a result this reserve matches the pension liability as detailed in 4.8 and thus this reserve has increased by the same £39.7m.
- 4.14. The Capital Adjustment Account, which has decreased by £34.1m, reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. Charges such as depreciation and impairment were greater than the capital receipts and grants income for the year.
- 4.15. Earmarked Reserves are detailed in Note 16 and show the movements during the year and the balances at 31 March 2020. The Outturn Report provides further detail of the movements in 2019/20, see other agenda item for this report.

Schools

- 4.16. Details on Schools Balances are shown in Note 15 to the Statements in the Accounts. This shows that there was a net decrease in School Balances during 2019/20 of £0.2m from £3.4m to £3.2m.

Next Steps - Approval, Signing, Inspection and Audit

- 4.17. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 include the following for the approval and publication of the annual accounts:
- the responsible financial officer must certify the presentation of the annual accounts no later than the 31 August 2020;
 - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 November 2020 and
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.

- 4.18. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 also requires all Councils to have a common 30 day public inspection period which normally includes the first 10 working days in September 2020. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts. Due to Covid-19 the Council's period of public inspection, for the Council's accounts and supporting documentation, will run from the 31 July 2020 to 11 September 2020.
- 4.19. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2019/20. This will be considered at the Audit Committee meeting in November 2020.

5. CONSULTATION

No external consultation, other than with the Council's External Auditors, EY, is taking place. However, the accounts are open to public inspection, see point 4.184.18.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) Amendments Regulations 2020 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 9 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

9. IMPLICATIONS

Financial implications are dealt with in the body of this report. There are no Human Resource, Legal, ICT, Procurement or Property issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

- Budgetary Monitoring Report Final Outturn 2019/20
- Council March 2019: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2015, Statutory Instrument
- The Accounts and Audit (Coronavirus) Amendments Regulations 2020

11. APPENDICES

- Appendix A - Statement of Accounts 2019/20

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PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2019/20



Peterborough City Council

Statement of Accounts 2019/20

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Narrative Report

1 Peterborough'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 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

The Medium Term Financial Strategy (MTFS) outlines how the Council will deliver these services, within the resources available to the Council.

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 2019/20 (the Code).

It brings together the major financial statements for the financial year 2019/20. 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 2020;
- *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* – The 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 (NNDR) and its distribution to local government bodies and the government;
- *Statement of Accounting Policies* – Outlines the significant accounting policies adopted by the Council;
- *Group Accounts* - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.

3 Managing Organisational Performance

The Council's priorities are embedded within the budget-setting process and alongside these the Council has identified a strategic approach, to ensure the delivery of a sustainable budget:

- Building on successful transformation;
- Making its assets work even harder;
- Increasing commercial income and driving down the costs of contracts;

- Redesigning its services.

The Council has arrangements in place to ensure that it achieves economy, efficiency and effectiveness, to deliver 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 has been considered by Cabinet on a regular basis throughout 2019/20.

During 2019/20 further financial and human resources planning controls were enacted to ensure the council operated within its financial envelope which included:

- all recruitment and agency requests reviewed by a panel;
- detailed business cases for all expenditure in excess of £10k;
- reviewed the effectiveness and operation of financial and human resource controls across the organisation;
- all expenditure over £1k requiring Chief Finance Officer approval.

A Rapid Implementation Team (RIT) has been established which reports weekly to the CMT to ensure saving plans are delivered.

A Financial Improvement Programme Management Board (FIPMB) has been established, dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new savings plans and ensuring the delivery of financial targets.

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 and Joint Budget

Scrutiny Committee, and consulted with the public and external stakeholders, prior to being recommended to Council for final approval.

The Council operates a 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 this document.

An officer led Capital Review Group met on monthly basis throughout 2019/20. This group has the responsibility of reviewing all aspects of the Council's Capital Programme. This year the group has been primarily focused on reducing the Capital Programme to a level which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2019/20 Capital Budget to £69.3m from £124.4m in April 2019.

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 members' overview and confirm the cost of the 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 contained in the outturn report to Cabinet. The following are a sample of the 2019/20 KPI's reported:

- Prompt payment of invoices to suppliers – 80.8% (83.9% 2018/19) of invoices are paid promptly (within 30 days);

- Speed of collecting debtor accounts – a total of £66.5m (£68.5m 2018/19) of invoices was raised with a total of £64.7m (£56.2m 2018/19) collected, across all sundry debt;
- The collection of council tax and business rates – Council tax collection rate for was 95.81% (95.83% 2018/19) and the business rates collection rate was 97.89% (97.90% 2018/19);

4 Revenue Position

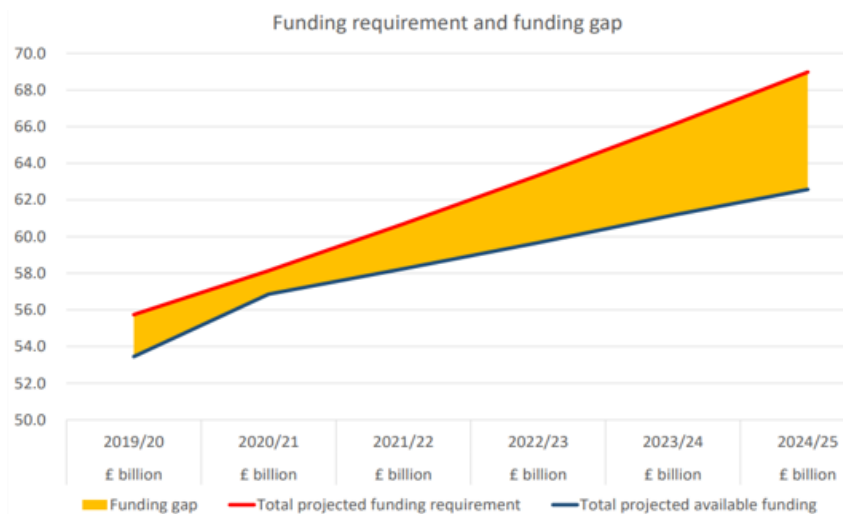
National context

In September 2019 the Chancellor announced a one year only Spending Review (SR19), which outlined a real term increase of 4.3% for local government in 2020/21. This included additional funding for areas such as homelessness, schools' high needs block, new towns fund and additional social care funding, including the ability to raise a 2% adult social care precept. The announcement also outlined a CPI (1.6%) uplift in the level of Revenue Support Grant, the first uplift in over a decade. Although the announcement provided the Council with some short-term stability, by confirming the continuation of current key grants, a high degree of uncertainty around the councils future funding levels remains.

In December 2019 the Conservative Party won the General Election with an increased majority, giving the government more scope in making policy decisions in areas which would influence local government. At this point the Prime Minister pledged to bring forward a plan for a solution to adult social care, as well delivering Brexit. On 31 January 2020, the UK formally left the EU, although negotiations are still ongoing, the government has vowed that any additional responsibilities and financial

pressures arising for Councils, as a result of Brexit, will be fully funded.

Nationally local government has continued to experience 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 in funding. The Government have been responding to the reports focussing on the social care pressures being faced by the sector and have announced additional funding. However, according to the Local Government Association (LGA), councils are still facing a funding gap of over £6.4bn forming in day-to-day spending by 2024/25 as illustrated in the following chart.



Source: LGA -Council funding requirement and funding gap - technical document ¹

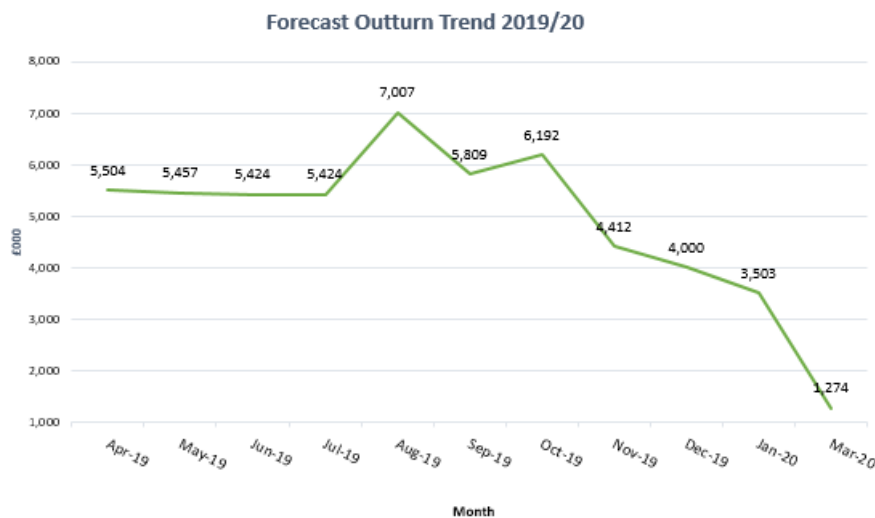
¹ [LGA -Council funding requirement and funding gap - technical document](#)

Local context

Through the year the Council has experienced rising demand for its services, increased costs from its suppliers and reductions in funding from central government. The following table shows how directorates performed against budget in 2019/20 with further detail and explanation contained in the Outturn Report as presented to Cabinet on 22 June 2020.

The final revenue outturn for 2019/20 is a £96k underspend, however following the Secretary of State approval the final position incorporates £5.6m borrowing to fund revenue expenditure (Capitalisation Direction). This approach is as per the Medium Term Financial Strategy (MTFS) as approved by Council March 2020.

Net Revenue Expenditure	Revised Budget £000	Actual £000	Cont to Reserve £000	Variance £000
Business Improvement	1,125	1,071	-	(54)
Chief Executive	1,810	1,584	-	(226)
Customer & Digital	7,765	7,783	-	18
Governance	4,344	4,393	-	49
People & Communities	74,950	76,931	1,004	2,985
Place & Economy	19,201	18,500	83	(618)
Public Health	228	241	-	13
Resources	49,521	44,948	3,680	(893)
Total Expenditure	158,944	155,451	4,767	1,274
Capitalisation Direction	-	(5,564)	-	(5,564)
Shortfall on asset sales	(2,821)	-	-	2,821
CCG - Credit Notes	-	1,631	-	1,631
Financing Adjustment	-	(258)	-	(258)
Revised Outturn	156,123	151,260	4,767	(96)
Transfer to Capacity Building Reserve				(96)



The chart above illustrates how the overspend forecast of the outturn changed throughout the year as more detailed information on performance became available. This demonstrates the results of actions taken by management to reduce and manage budget pressures emerging during the year, following reported forecast outturn overspends. Mitigating actions resulted in the reduction of the forecast overspend from the projected peak of £7.0m in August 2019 to a final broadly breakeven position.

Movements on reserve balances are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), page 2020, also shown in Note 16, page 49.

Reserves Balances

As at 31 March 2020, the balance on the General Fund is £5.1m. This is in line with the approved MTFs. The General Fund balance is usually maintained at £6m, however due to a timing difference in respect of Section 31 grant income associated with business rates the general fund has been used in 2019/20 to mitigate the variance, and will be fully replenished in 2020/21.

Schools balances totalled £3.2m at 31 March 2020, compared with £3.4m at 31 March 2019. This reduction reflects four local schools converting to academy status during the financial year, whereby at the point of conversion the reserve balances are transferred from the Council to the new Academy. 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.

The Capacity Building Reserve reduced by £2m as it has funded transformational expenditure such as the projects as contained in the ICT Strategy, Adults Positive Challenge programme and the delivery of other saving programmes across the Council. The reserve will be used to ensure that strategic, operational and financial delivery requirements can be met in the future.

Departmental reserves decreased by £1.9m, from £6.9m to £5m. This relates to the planned use of grant funding previously transferred and contributions from new grants which have been received and not fully expensed through the year. These reserves include a number of higher value grants which will fund programmed expenditure in 2020/21 and future years, such as:

- Integrated Communities Strategy;
- Family Safeguarding Innovation Programme;
- Controlled Migration Fund (CMF).

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 2019/20 under proper accounting practices (see page 19).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2019/20 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 14, page 39).

Both of these formats include comparative figures for 2018/19. The statements use the Council's management structure for reporting net expenditure.

The Outturn Report does not directly correlate with the EFA due to the way movements in earmarked reserves and schools' balances required to be reported.

5 Capital and Treasury Position

The following table shows capital budgets as agreed for the 2019/20 MTFs of £114.1m including the Invest to Save Budgets of £36m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £124.4m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2020 was £94.2m. This compares to the final expenditure for each directorates and how this investment is planned to be financed of £64.3m.

Capital Expenditure	2019/20 MTFS Budget £000	Revised Budget Apr 2019 £000	Revised Budget Jan 2020 £000	Actual £000
Customer & Digital Services	3,800	4,415	4,463	3,026
Governance	90	90	-	-
People & Communities	34,671	31,521	25,715	20,986
Place & Economy	27,873	31,560	20,084	18,066
Resources	11,700	20,051	19,069	16,689
Capitalisation Direction	-	-	-	5,564
Total	78,134	87,637	69,331	64,331
Financed by:				
Grants & Contributions	26,826	32,855	34,252	36,072
Capital Receipts	23,150	23,150	23,150	-
Borrowing	28,158	31,632	11,929	28,259
Total	78,134	87,637	69,331	64,331
Invest to Save (100% funded from borrowing)	35,999	36,799	24,849	-

The revenue cost of financing the Council's borrowing totalled £16.4m in the year ending 31 March 2020, compared to £15.5m in the year ending 31 March 2019 (see Note 27, page 59).

Major projects which progressed during 2019/20 and included in the expenditure figures in the previous table are:

- A47/A15 Jct 18 (Nene) Bridge £3.2m
- Jack hunt Expansion £3.1m
- Hampton Lakes Primary School £5.0m
- Housing schemes developed by Medesham Homes £7.7m
- Purchase of homes from the open market project £4.2m

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 24, pages 33 and 55.

The Council has invested in housing and the regeneration of the City. The Council has over the past three years enabled the City to exceed its housing delivery target, set by Government by more than 366 new homes. Other examples of regeneration across the city include:

- In January the Council published plans for £43m redevelopment of Peterborough railway station and the surrounding area.
- In February the Council commenced the Northminster redevelopment, by agreeing to transfer the assets held within the site to the Peterborough Investment Partnership.
- The Council is working with the Cambridgeshire and Peterborough Combined Authority, Medesham Homes LLP and Cross Keys Homes to build 146 new affordable homes across Peterborough.
- The construction of Hampton Lakes Primary School started in January 2019, progressing throughout 2019/20 and is now open. The school provides enough space for 420 children as well as 26 nursery places.

Borrowing and Investments

The Council’s TMS outlines the Council’s approach to borrowing and investment. The main sources of borrowing are:

- the Public Works Loan Board (PLWB)
- other local authorities.

The following table shows that at 31 March 2020 the Council had net borrowings including cash and outstanding interest of £467.9m (£442.6m in 2018/19).

2018/19		2019/20
£m		£m
65.5	Short Term Borrowing	103.0
392.1	Long Term Borrowing	374.6
(15.0)	Investments	(9.7)
<u>442.6</u>	Net Borrowing	<u>467.9</u>

The Council’s cash flow position is 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 £28.3m, actual gross borrowing increased by £20.0m (net £25.3m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

6 Council Performance In Year

Key achievements over the past 12 months include:

- Peterborough is fifth fastest growing city in the country. Between 2001 and 2011 the population increased by 17.7% to 183,600. In 2019 the city’s population was estimated at 201,041, with projected population forecast to be 211,688 by 2023;
- The Council successfully applied for Innovate UK funding for “Designs for Smart Local Energy Systems” The project is called the Peterborough Integrated Renewables Project and will be a £2m detailed feasibility that looks at integrating heat, power and mobility and is expected to deliver an investible proposition with significant innovation and benefits for the city;
- Peterborough was ranked as the number one highway authority in the Eastern Region according to annual National Highways and Transport survey;

- The Council maintained 562 miles of roads, 719 miles of footways and 279 miles of cycle ways; 366 structures, 24,000 street lightings columns and 114 set of traffic signals;
- 3,458 potholes were repaired and 16 miles of roads were resurfaced;
- In 2019/20 we cleared up 7,130 fly-tips;
- 86% of the Schools in the City were rated good or outstanding by Ofsted;
- From April 2019- December 2019 Public Health services have completed 2,517 health checks, helped 405 people stop smoking and helped 1,229 achieve personal health goals;
- Peterborough was chosen as one of five areas to deliver a programme of improving community integration. As part of that programme during 2019/20 the council has:
 - Established 'Peterborough Communities Fund' and provided over £0.3m through this to fund 24 local community groups;
 - Trained 43 community champions to support victims of domestic abuse and sexual violence;
 - 45 people have started to train on the English for Speakers of Other Languages course;
 - Provided 279 people personal support and advice on volunteering, to build confidence and skills to deliver their ideas in the community.
- The Council looked after 381 Children in care and supported 2,763 adults to remain independent in their own home;
- At the end of 2019/20, the Council was supporting 323 homeless households in temporary accommodation, and a further 67 rough sleepers requiring accommodation due to the impact of COVID-19;

- The Council was successful in its bid for a grant as part of the New Towns Fund. Peterborough is one of 100 towns, which will receive up to £25m of investment from the £3.6bn government fund, to regenerate and transform the City;
- The Councils Elections Team won an award from the Association of Electoral Administrators for its dedication, outstanding effort and commitment, after conducting the first successful parliamentary recall petition, followed by a by-election, as well as local, European parliament and UK parliamentary elections throughout the year.

7 Changes to Service Delivery and Operations

The Council continues to build closer working partnerships with Cambridgeshire County Council (CCC) and other neighbouring councils. The Council shares the majority of CMT roles with CCC and the sharing of resources has expanded throughout organisations with 200 shared roles. This joint approach is increasing resilience in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the Cambridgeshire area.

The Permanency Service was transferred back to the Council's direct operation in October 2019. The transfer of staff, foster and adoptive carers and associated services back to the authority has taken place, with the Council supporting and training carers.

In July 2019, the Council was one of the first councils to declare a climate emergency. A Climate Change Member Working Group has been established and changes have already been made to governance processes, with officers completing Carbon Impact Assessments on all proposals under consideration by members. The council has a Carbon Management Action Plan which includes 20 pledges for 2020/21. Such pledges include

replacing the mayor's car with an ultra-low emissions vehicle and continuing to plant new trees, commitment to streetlight dimming, and a review of the council's electricity and gas contracts which will seek to amend to 100 per cent renewable energy tariffs and carbon off-set gas tariffs.

The Council continues to unlock the benefits from increased use of technology to increase flexibilities and efficiencies with a successful move to Microsoft Office 365 suite in August 2019. Enhanced agile capabilities enable a streamlined approach to working within a shared service role across multiple organisations and locations. As social distancing measures were introduced in March 2020, the Council's workforce has been able to quickly adapt and seamlessly transition to working from home.

8 Risks, Challenges and Mitigating Action

The Risk Management Board, led by the Acting Director Corporate Resources meets regularly throughout the year to both challenge and support risk management across the Council and with partner organisations.

The current and substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Risks which have been identified (outside COVID-19 pandemic) include:

- Demand Led Services - the Council provides services 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 remain under regular review throughout the year;
- Financial Resilience – there is the risk that Council has insufficient reserve balances to withstand the budget pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency situation. The Lean Cost Structure Review, a strategy to deliver a new operating model to operate at a lower cost base for the Council is in progress;
- Savings Delivery - the achievement of a balanced and sustainable budget is reliant on a challenging savings programme and the organisational capacity to implement transformational change. Progress against all saving proposals is monitored by the RIT and reported to FIPMB, CMT and Cabinet accordingly;
- Business Rates, Council Tax and other fees and charges - the council relies on income generated from council tax, business rates and other income streams such as parking, planning. There is a risk that collection rates could decline, or growth assumptions built in to the budget are too ambitious. 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;
- Local Government future funding models – uncertainty remains regarding the future funding model for all Councils. This uncertainty creates a challenge when assessing available resources the Council has to be able to deliver services to inform the plans for the medium term financial strategy. The Council will continue to monitor developments from central government and input into consultations;
- 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. It also takes a proactive approach in bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG)

- The Council monitors the forecasts for sale completions and valuations to ensure the correct value has been accounted for within the MTFS.

As a result of the COVID-19 pandemic the impact of the risks identified are expected to increase with the Council being part of the key organisations responding to the crisis. Although the council has received additional funding the financial implications are expected to exceed this and pressures to continue into the medium term. Further detail of the impact of the COVID-19 pandemic is outlined in detail in section 10.

9 Strategy for Future Sustainability

The Council's MTFS for 2020/21 was balanced by the identification of £34.7m of budget reductions, including the use of £3.9m of capital receipts to repay debt. The Council plans to use £1.5m from reserves and £1.2m of the Capitalisation Direction.

A copy of the Council's MTFS for 2020/21 to 2022/23 is located on the Council's website². A summary of the budget changes agreed at Council on 4 March 2020 and the financial challenge which remains, is outlined in the following table.

² <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/>

The Council will need to identify budget reductions totalling at least £14.8m by 2022/23 to set a balanced budget.

Summary Budget Position	2020/21 £000	2021/22 £000	2022/23 £000
Budget Gap	18,409	20,056	18,721
Service Pressures and investment			
Tranche 1	15,134	15,134	15,134
Tranche 2	2,668	2,446	2,396
Total	17,802	17,580	17,530
Budget Position before savings & additional income	36,211	37,636	36,251
Savings & additional income (including Capitalisation Direction)			
Tranche 1	(24,038)	(24,029)	(22,565)
Tranche 2	(10,662)	638	1,123
Total	(34,701)	(23,391)	(21,443)
Use of Reserves	(1,510)	-	-
Final Budget Gap	-	14,245	14,808

The Council approved an increase to council tax by 3.99% in 2020/21, this includes a general increase of 1.99% and an Adult Social Care precept of 2%. This was one of the measures announced as part of the Spending Review 2019 and confirmed within the referendum limits included in the Local Government provisional finance settlement in December 2019. The Council has a greater reliance on Council Tax funding compared to five years ago. In 2013/14 £56.6m of Council Tax Income was generated, this has increased by 48.2% to £83.9m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

The following diagram outlines the make-up of the Council's Key resources for 2020/21:



Revenue Support Grant (RSG), was increased by 1.63%, to £10.4m in 2020/21, the first increase in over a decade. Despite this increase, the Council's RSG has seen a reduction of 81% since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core resources.

Business rates income has grown significantly over recent years. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The Council will benefit from £1.3m of additional income as a result of a successful Business Rates pool application with the other Cambridgeshire Local Authorities. The pool considers the business rates levy owed by each of the authorities, pooling them together, which produces a lower percentage levy calculation for the councils included.

Other grants received include grants for social care, which have been increasing but not at the same speed as the increase in demand on services. As well as New Homes Bonus, an

incentive-based grant to reward local authorities for the development of new housing will be announced. The level of grants to be received by the Council remains uncertain beyond 2020/21.

The CMT and senior officers have commenced a Lean Cost Service Review (LCSR), in order to design and develop a new operating model for the Council for it to operate sustainably within its financial envelope. This review is likely to result in a combination of the following:

- Reduce contractual expenditure and tighter contract management;
- Redesign of delivery of services including:
 - Delivering services at a lower cost, value for money, more efficient manner;
 - Providing a lower level of services, or make them much leaner;
 - Reduction in services provided

10 Covid-19

On the 24 March 2020 the Council declared a critical incident which enabled the Council to enact the emergency policy. This provides the Council with:

- Governance structure of Gold, Silver and Bronze Command Groups are in operation, with regular diarised meetings to ensure swift and effective decision making takes place, and actions are implemented;
- Additional guidance to ensure that vital services are delivered by redeploying staff to key roles and staffing levels are maintained to deliver vital services;

- Business Continuity Plans are reviewed and daily communication to the organisation takes place via email and on the intranet site.

Operations

The Council's response and immediate priorities have focused on:

- mitigating the potential impact and risks to the delivery of key services, particularly the sustainability of Adult Social Care services;
- the establishment of a Coordination Hub to provide residents that are vulnerable or shielding with access to food, medicine and other essential support;
- ensuring vulnerable children are supported by working with schools to support vulnerable children and those children of key workers;
- the provision accommodation for rough sleepers to ensure they can safely self-isolate;
- ensuring front line services and care workers have Personal Protective Equipment (PPE) to enable safe working and to minimise transmission and spread of the virus.

The Council has been working collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible are supported within the community to avoid hospital admissions.

The Council's agile working practices and ICT systems have enabled the majority of staff to work from home or be redeployed to other roles. With most of the workforce working from home the Council has provided additional mental health and wellbeing support to all staff, and have ensured there has been daily

communication to ensure the local and national position are known and the Council's role in delivery of services understood.

As at the 14th May 2020 there have been 16,264 individuals registered as shielded across Peterborough and Cambridgeshire, with the hub providing support to 4,852 of these, as they have been in contact to request help. The response received so far has been overwhelmingly positive with over 1,800 volunteers registered to support the operation, as well joint working with partner organisations such as the Red Cross and Cross Keys Homes.

On 18 March 2020 the Prime Minister announced that schools and educational settings were to close from 20 March 2020, with the exception of a continued education provision for vulnerable children, or those children with parents that are key workers. The Council has worked closely with professionals across the education sector, schools and early year's settings to mobilise the resulting actions from the Government's announcement. This has including developing education packs, resources and online learning platforms that will allow children to continue learning at home, ensuring free school meals are provided to eligible families and providing disadvantaged children with a laptop or tablet and access to broadband to ensure they have access to educational resources. In addition to this a high percentage of schools across Peterborough have been open to support vulnerable children and those whose parents are key workers.

The Council is now focussing its attention to providing advice, guidance and support to schools, while they make their preparations to safely and confidently open to more children in the coming months.

At present the Council is not anticipating any major impact to key supplier chains. The Council has been following the Procurement Policy Note (PPN 02/20) issued by the Government and have issued guidance and procedures which must be followed by all officers, should a supplier apply for relief under this note. The Council has maintained contractual payments. The Council have worked closely with suppliers and where possible redeployed the resource to support the coordination hub.

The Council's capital programme schemes are progressing at a slower rate due to reduced level of productivity. This is the result of restrictions which have been implemented within highways and property teams to operate social distancing. These measures continually reviewed in line with the Government's announcements on the easing of lockdown and more local measures are enacted.

Financial Position

An initial impact of the pandemic on the Council's financial position was reported to Cabinet on 11 May 2020³. The Council has additional financial challenges resulting from the actions required to manage the pandemic. This includes the loss of income streams, additional pressures from service users and difficulty with delivering the planned savings. Current estimates indicate that the additional cost to the Council to be at least £18.3m in 2020/21, with further Council Tax and Business Rates income reduction expected to cause a further £15.8m of pressure on the 2021/22 budget. These financial implications

will impact the Council's financial position in the medium to longer term.

The Council's financial resilience is anticipated to decrease due to the additional costs incurred in response to the pandemic, combined with already low reserves balances and a budget gap of £14.2m in 2021/22.

The overall financial position is being reviewed weekly by the CMT, and reported to Cabinet on a regular basis, along with the regular COVID-19 financial position returns to central government.

The Government have announced a number of initiatives and support to be delivered to, and through, Local Government. These include additional funding to the Council, businesses and individuals, as well as advance payment of grants and a deferral in business rates payment, to support the Council's cash flow position.

The Council has considered the financial implications of COVID-19 on the balance sheet. As the Government has made available support packages for businesses including business rates holidays, grants, a loan scheme and the ability to furlough staff, at this time the Council has not amended its approach, to reflect any impact of the pandemic within this calculation. This will remain under close observation as the wider economic impact of the pandemic unfolds. At this stage the Council has not made any adjustments to the valuation of its investment assets in respect of COVID-19, this will be monitored and further detail has been outlined within Critical Judgements in Applying Accounting Policies, Note 42, page 70.

³ [Council Financial Position Report- 11 May Cabinet](#)

Risks

A risk log has been developed to identify COVID-19 specific risks which would have an impact. This is reviewed by the Joint Management Team (JMT which covers both the Council and Cambridgeshire County Council) on a weekly basis. In addition to the risks identified within section 8, the specific COVID-19 risks include:

- Financial risk arising from a reduction in income, additional costs and non-delivery of savings plans, as a result of the pandemic. This would impact the Councils financial resilience and ability to respond to an emergency.
- Staffing levels could be impacted as a result of the pandemic due to sickness, shielding or childcare commitments. The Council is monitoring the data and has issued guidance to staff and managers. A redeployment scheme has been implemented to ensure staff can be redirected to other areas within the Council requiring resource.
- The Council has changed the demand on how ICT is accessed to ensure effective and efficient homeworking for the majority of the workforce. A disaster recovery plan is in place and with modifications to server and system changes to reduce disruption.
- Operational risks include the safeguarding of vulnerable adults and children throughout the lockdown period, the ability for schools to remain open, a reduction in the level of available accommodation for homeless families or individuals and the delivery of free school meals to those not attending an education setting. All of these instances have undergone consideration with detailed strategies implemented by the Councils service departments to mitigate these risks as far as possible.

- Increased demand on health and care services may exceed service provision or care providers can not deliver services as required. The Council has recently agreed an uplift in funding to support care providers and are working closely with the NHS and Cambridgeshire County Council to set up additional service provision.
- An increase in the level of deaths within Peterborough will lead to a strain on the capacity of the burial and crematorium service, which would subsequently impact the mortuary facilities. This is monitored by the Council and additional capacity in both services has been made available.

Recovery

As the pandemic restrictions were put in place nationally the Council was already in the process of thoroughly reviewing its operations, with the view to implementing transformational changes in 2020/21, as set out in the MTFS. The disruption to 'business as usual' resulting from the pandemic has meant that previously held plans and approaches will need to be re-visited. Although the full extent of the impact of COVID-19 on the Council and the community is unknown, the Council has begun to develop a recovery plan by establishing a framework which includes the following stages:

- identification of risks to both the immediate and long term financial and operational effectiveness of the Council, with consideration of the mitigating actions which have been put in place throughout the pandemic;
- review the Council's strategic priorities and aims in light of a change in needs and resources;
- consideration of the social and financial impact, by conducting financial modelling, scenario analysis and impact assessments to ensure that strategic ambitions and

operational plans balance affordability, sustainability and need;

- redesign of services and development of service plans for the recovery and reintroduction of services throughout the period. This will include maximising opportunities which have been identified through the pandemic, such as the enhanced agile working approach or the collaborative working with the community and volunteers.

The Council is an active member of the Cambridgeshire and Peterborough Local Resilience Forum Recovery Group, along with other Cambridgeshire Councils, NHS, Police and Crime Commissioner and the Fire Authority. This group has established a Multi-agency Community Recovery Group, which has the immediate focus of producing a wider recovery plan for the local area. Individual strands have been identified for development, these include, care, health, criminal justice, environmental and economy and will look to address issues such as the loss of income, pressures placed on certain sectors due to rising demand and increased cost base, future ongoing support from Central government and rebuilding financial resilience.

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.

The Council approved the revenue and capital budget requirement for 2020/21 as part of its MTFS. The budget supported the Council's key priorities and included £34.7m of budget reductions, £1.2m of Capitalisation Direction and the use of £1.5m from the Capacity Building Reserve. The budget gap in 2021/22 remains at £14.2m, rising to £14.8m in 2022/23. The

Council remains in a challenging financial position, which has been exacerbated by the COVID-19 pandemic. The Council will continue to be proactive in making decisions on how it can best deliver services within its financial envelope, but the current situation means the Council is going to have to make significant operational changes and will be reliant on additional funding from central government.

The Council has where possible managed the financial challenges during 2019/20, by being alert to service and budget pressures, and balancing the demands of local circumstances with the financial constraints. The actions taken by Cabinet and CMT has meant that the Council has significantly reduced the forecast overspend by the end of the financial year.

The Council will continue to provide the vital response to the COVID-19 pandemic and support the residents and businesses of Peterborough through these unprecedented times. The challenge will remain once operations start returning to normal in future months, however the Council is working closely with neighbouring local authorities to develop a recovery plan to support the recovery of the local economy, resume services and support businesses and the community rebuild after the devastating impact of the pandemic.

I am extremely grateful to all the finance and operational staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced during 2019/20 and still continue to face. The willingness to go above and beyond has never been more apparent than in recent months, with staff adapting incredibly quickly and professionally to a new approach to working or applying themselves to a different role to ensure the continuation of services or provide community response to the pandemic. I would also like to extend my gratitude to the individual volunteers and organisations that

have worked closely with the Council to support the residents and businesses of Peterborough through these unprecedented times.

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 – October 2020

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 2020 was approved at the meeting of the Audit Committee on 13 July 2020.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

Date:

2020

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 23 to 100 present a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Acting Director of Corporate
Resources:

Date:

Peter Carpenter

2020

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 and the Expenditure and Funding Analysis Note 14 and the Movement in Reserves Statement Note 16.

<i>Restated 2018/19 *</i>							2019/20			
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>	Comprehensive Income & Expenditure Statement (CIES)				Notes (From Page 23)	Gross Expenditure	Gross Income	Net Expenditure
<i>£000</i>	<i>£000</i>	<i>£000</i>						£000	£000	£000
873	(76)	797	Business Improvement					1,168	(15)	1,153
2,170	(672)	1,498	Chief Executives					2,590	(824)	1,766
7,631	(907)	6,724	Customer & Digital Services					8,711	(959)	7,752
5,681	(1,122)	4,559	Governance			4		6,846	(2,118)	4,728
309,667	(204,199)	105,468	People & Communities			1, 2, 6		286,023	(184,205)	101,818
56,772	(13,570)	43,202	Place & Economy					55,200	(16,973)	38,227
11,083	(11,110)	(27)	Public Health			6		11,289	(11,000)	289
90,787	(66,987)	23,800	Resources			3		85,042	(58,653)	26,389
484,664	(298,643)	186,021	Cost of Services					456,869	(274,747)	182,122
12,900	(9,661)	3,239	Other Operating Income & Expenditure			9		8,750	(1,991)	6,759
104,590	(7,727)	96,863	Financing & Investment Income & Expenditure			10		36,588	(6,186)	30,402
2,642	(166,143)	(163,501)	Taxation & Non-Specific Grant Income & Expenditure			11		2,828	(178,801)	(175,973)
604,796	(482,174)	122,622	(Surplus) / Deficit on Provision of Services			14		505,035	(461,725)	43,310
		(5,571)	(Surplus) / Deficit on Revaluation of Non-Current Assets			15,17				(23,647)
		46,056	Actuarial (Gains) / Losses on Pension Assets / Liabilities			7				(126,988)
		40,485	Other Comprehensive Income & Expenditure							(150,635)
		163,107	Total Comprehensive Income & Expenditure							(107,325)

* the 2018/19 figures have been restated to take account of changes in organisation structure during 2019/20

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 15, page 42.

Movement in Reserves during 2018/19 and 2019/20	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
<i>Balance at 1 April 2018</i>	15	(6,000)	(5,559)	(34,899)	-	(1,216)	(47,674)	137,469	89,795
<i>Total Comprehensive Income & Expenditure</i>		120,437	2,185	-	-	-	122,622	40,485	163,107
<i>Adjustments between accounting basis & funding basis under regulations</i>		(116,755)	-	-	(7,663)	106	(124,312)	124,312	-
<i>Net Increase / Decrease before Transfers to Earmarked Reserves</i>		3,682	2,185	-	(7,663)	106	(1,690)	164,797	163,107
<i>Transfers to / (from) Earmarked Reserves</i>		(3,682)	-	3,682	-	-	-	-	-
<i>(Increase) / Decrease in 2018/19</i>		-	2,185	3,682	(7,663)	106	(1,690)	164,797	163,107
<i>Restated Balance at 31 March 2019 Carried Forward</i>		(6,000)	(3,374)	(31,217)	(7,663)	(1,110)	(49,364)	302,266	252,902
Balance at 1 April 2019		(6,000)	(3,374)	(31,217)	(7,663)	(1,110)	(49,364)	302,266	252,902
<i>Total Comprehensive Income & Expenditure</i>		43,095	215	-	-	-	43,310	(150,635)	(107,325)
<i>Adjustments between accounting basis & funding basis under regulations</i>		(38,454)	-	-	7,663	152	(30,639)	30,639	-
<i>Net Increase before Transfers to Earmarked Reserves</i>		4,641	215	-	7,663	152	12,671	(119,996)	(107,325)
<i>Transfers to / (from) Earmarked Reserves</i>		(3,753)	-	3,753	-	-	-	-	-
(Increase) / Decrease in 2019/20		888	215	3,753	7,663	152	12,671	(119,996)	(107,325)
Balance at 31 March 2020 Carried Forward		(5,112)	(3,159)	(27,464)	-	(958)	(36,693)	182,270	145,577

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 20, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000	Balance Sheet	Notes	31 March 2020 £000
548,941	Property, Plant & Equipment	17	571,042
25,676	Investment Property	18	23,135
9,144	Intangible Assets	19	8,405
1,372	Long term Debtors	27, 28	2,509
585,133	Long Term Assets		605,091
17	Short Term Investments	27, 29	3
456	Inventories	30	461
76,699	Short Term Debtors	31	83,086
15,268	Cash & Cash Equivalents	28, 38	10,437
128	Current Intangible Asset		-
1,217	Assets Held for Sale	20	2,015
93,785	Current Assets		96,002
(69,062)	Short Term Borrowing	27	(106,457)
(63,757)	Short Term Creditors	32	(69,163)
(9,088)	Provisions	33	(10,174)
(141,907)	Current Liabilities		(185,794)
(332,035)	Long Term Creditors (Pension Liability)	7	(221,488)
(175)	Provisions	33	(356)
(392,087)	Long Term Borrowing	27	(374,587)
(45,720)	Other Long Term Liabilities	27, 28	(44,807)
(19,896)	Capital Grants Receipts in Advance	34	(19,638)
(789,913)	Long Term Liabilities		(660,876)
(252,902)	Net (Liabilities) / Assets		(145,577)
(49,364)	Usable Reserves	15	(36,693)
302,266	Unusable Reserves	15	182,270
252,902	Total Reserves		145,577

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.

<i>Restated 2018/19* £000</i>		Notes	2019/20 £000
Cash Flow Statement			
122,622	Net (Surplus) / Deficit on the Provision of Services		43,310
(85,520)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(74,347)
(60,782)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(4,275)
<u>(23,680)</u>	Net Cash Flows from Operating Activities		(35,312)
56,308	Investing Activities	36	60,536
(39,140)	Financing Activities	37	(20,393)
<u>(6,512)</u>	Net (Increase) / Decrease in Cash & Cash Equivalents		4,831
8,756	Cash & Cash Equivalents at the Beginning of the Reporting Period		15,268
6,512	Increase / (Decrease) in Cash and Cash Equivalents		(4,831)
<u>15,268</u>	Cash & Cash Equivalents at the end of the Reporting Period	38	10,437

* restated to adjust the classification of cash inflows and outflows from the granting and redemption of loans

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2019/20 and for the previous financial year are as follows:

Schools Budget Funded by Dedicated Schools Grant 2019/20	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2019/20 before Academy and high needs recoupment			(210,940)
Academy and high needs figure recouped for 2019/20			120,076
Total DSG after Academy and high needs recoupment for 2019/20			(90,864)
Brought forward from 2018/19			(2,973)
Carry forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2019/20	(40,923)	(52,914)	(93,837)
In year adjustments	234	-	234
Final budgeted distribution for 2019/20	(40,689)	(52,914)	(93,603)
Less actual central expenditure	37,290	-	37,290
Less actual ISB deployed to schools	-	52,914	52,914
Carry Forward to 2020/21	(3,399)	-	(3,399)
Total amount carried forward			(3,399)

The Council's expenditure on running schools is funded primarily by DSG provided by the Education and Skills 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 2019. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools

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

Schools Budget Funded by Dedicated Schools Grant 2018/19	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2018/19 before Academy and high needs recoupment			(204,661)
Academy and high needs figure recouped for 2018/19			106,638
Total DSG after Academy and high needs recoupment for 2018/19			(98,023)
Brought forward from 2017/18			(2,119)
Carry forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	(38,510)	(61,632)	(100,142)
In year adjustments	56	-	56
Final budgeted distribution for 2018/19	(38,454)	(61,632)	(100,086)
Less actual central expenditure	35,481	-	35,481
Less actual ISB deployed to schools	-	61,632	61,632
Carry Forward to 2019/20	(2,973)	-	(2,973)
Total amount carried forward			(2,973)

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)

The Better Care Fund has 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 the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2019/20 was £14.2m (2018/19 £13.3m) of which £7.2m 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 £2.0m directly received capital funding and £4.8m retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2019/20 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 (2018/19 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2019/20 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 £0.4m (2018/19 £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 £1.5m (2018/19 £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 provided by the Council's external auditors, Ernst and Young LLP (EY).

2018/19* £000	External Audit Costs	2019/20 £000
106	Fees payable with regard to external audit services carried out by the appointed auditor	161
-	Other services provided by the appointed auditor	-
106	Total	161

* 2018/19 figures have been restated to reflect the final payment

The increase in fees is contained in the EY 'Provisional Audit Plan' which was due to be considered at Audit Committee 25 March 2020⁴. On page 42 of this Plan it details that the increase in fee is based on the following factors:

- Status of the sector - increasing complexity of local government reporting
- Audit of estimates - to address the regulatory expectations from FRC
- Regulatory environment - pressures from the changing regulatory landscape and audit market dynamics

⁴ [EY Provisional Audit Plan – Item 4, 25 March Audit Committee](#)

- Public sector audit profession - there is a shortage of specialist public sector audit staff and multidisciplinary teams to support compressed timescales

4 Member's Allowances

The level of member allowances is recommended by an independent panel. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis. The table shows amounts paid to members.

2018/19 £000	Member's Allowances	2019/20 £000
847	Allowances	869
-	Expenses	-
847	Total	869

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £2.6m (2018/19 £0.9m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

Restated 2018/19* £000	Termination Benefits	2019/20 £000
-	Business Improvement and Development	141
95	Chief Executive	374
2	Customer & Digital Services	198
20	Governance	76
443	People & Communities	814
146	People & Communities (Schools)	143
204	Place & Economy	518
16	Public Health	37
-	Resources	253
926	Total	2,554

* Restated to show updated headings as a result of changes in directorates

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

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							
Compulsory No.	Voluntary No	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total* £000
				£000	£000	£000	
Termination and Exit Packages 2019/20							
1	34	35	£0 - £19,999	3	242	245	-
-	26	26	£20,000 - £39,999	-	747	747	71
-	7	7	£40,000 - £59,999	-	355	355	96
-	7	7	£60,000 - £79,999	-	508	508	181
-	3	3	£80,000 - £99,999	-	271	271	130
-	3	3	£100,000 - £150,000 +	-	428	428	294
1	80	81	Total	3	2,551	2,554	772
Termination and Exit Packages 2018/19							
12	11	23	£0 - £19,999	34	116	150	13
2	8	10	£20,000 - £99,999	128	253	381	23
-	2	2	£100,000 - £150,000 +	-	395	395	283
14	21	35	Total	162	764	926	319

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

6 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

In 2019/20 the Council paid £5.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay from April to August 2019 and 23.7% from September 2019 onwards. The figures for 2018/19 were £4.7m and 16.5%.

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 2019/20 the Council paid £89k to NHS Pensions in respect of employee's retirement benefits, representing 14.4% of pensionable pay. The figures for 2018/19 were £100k 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.

2018/19 £000	Comprehensive Income & Expenditure Statement	2019/20 £000
	Cost of Services:	
20,888	Current service cost	25,170
1,390	Past service cost	112
(649)	Effect of settlements	(2,930)
	Financing & Investment Income & Expenditure	
(12,334)	Interest Income on Scheme Assets	(11,678)
19,756	Interest Cost on Defined Benefit Obligation	19,750
<u>29,051</u>	Total post-employment benefit charged to the Deficit on the Provision of Services	30,424
	Other employment benefit charged to the CIES	
(17,707)	Return on plan assets (excluding the amount included in the net interest expense)	35,450
-	Actuarial gains and losses arising on changes in demographic assumptions	(16,886)
62,946	Actuarial gains and losses arising on changes in financial assumptions	(64,313)
816	Other Experience	(81,170)
1	Adjustment to actuarial estimate contribution	(69)
<u>46,056</u>	Total Remeasurements Recognised in CIES	<u>(126,988)</u>
<u>75,107</u>	Total post-employment benefit charged to the CIES	(96,564)
	Movement in Reserves Statement	
(75,107)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	96,564
	Actual amount charged against the General Fund Balance for pensions in the year:	
14,410	Employer's contributions payable to scheme	13,983
<u>(60,697)</u>	Total Movement in Reserves Statement	110,547

31 March 2019 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2020 £000
487,223	Fair Value of Employer Assets	460,698
(796,685)	Present Value of Funded Liabilities	(662,350)
(22,573)	Present Value of Unfunded Liabilities	(19,836)
(332,035)	Total net liability	(221,488)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £221m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 15, page 47. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2019 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2020 £000
456,983	Opening fair value of Scheme Assets	487,223
12,334	Interest Income	11,678
17,707	Return on plan assets, excluding the amount included in the net interest expense	(35,450)
(189)	Effect of Settlements	(1,840)
14,410	Contributions from Employer	13,983
(1)	Adjustment for Actuarial estimated Employer Contributions	69
3,559	Contributions from Employees	3,539
(17,580)	Benefits Paid	(18,504)
487,223	Closing Fair Value of Scheme Assets	460,698

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 2019 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2020 £000
728,321	Opening Liability at 1 April	819,258
20,888	Current Service Cost	25,170
19,756	Interest Cost	19,750
3,559	Contributions from Scheme Participants	3,539
62,946	Actuarial gains/losses arising from changes in financial assumptions	(64,313)
-	Actuarial gains/losses arising from changes in demographic assumptions	(16,886)
816	Other experience	(81,170)
(838)	Liabilities Extinguished on Settlements	(4,770)
1,390	Past Service Costs including curtailments	112
(17,580)	Benefits Paid	(18,504)
819,258	Closing Liability at 31 March	682,186

In line with the Accounting Standard, the 'Other experience' liability item in the table above is identified separately in the Pensions Note however the asset 'experience' item is included in the re-measurement 'return on assets' item shown in the Other Comprehensive Income. In non-valuation years, the 'return on assets' item reflects the difference between actual returns over the year and the expected return (recognised in the Profit and Loss as the interest income on assets) The 2019/20 'excess return on assets' may appear unusual but this is due to the inclusion of any asset re-measurement experience from the 2019 formal actuarial valuations 'step change'.

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 2019 £000	Local Government Pension Scheme Assets comprised	31 March 2020 £000
	Equity Securities	
14,720	Consumer	-
8,769	Manufacturing	-
10,232	Energy and Utilities	-
18,315	Financial Institutions	-
2,948	Health and Care	-
2,592	Information Technology	-
57,576	Sub-total equity	-
12,086	Debt Securities – Government Bonds	20,537
-	Real Estate	31,427
36,890	Private Equity	32,849
	Investment Funds and Unit Trusts	
272,938	Equities	302,928
45,277	Bonds	31,522
20,279	Infrastructure	35,511
36,143	Other	70
374,637	Sub-total Investment Funds and Unit Trusts	370,031
6,034	Cash and Cash Equivalents	5,854
487,223	Total Assets	460,698

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 2019.

The valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges and fire fighters’ schemes as part of the reforms amounted to unlawful discrimination and therefore the changes have now been accounted for in 2019/20 Actuarial Report.

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

31 March 2019	Long-term expected rate of return on assets in the scheme	31 March 2020
2.4%	Equity Investments	2.4%
2.4%	Bonds	2.4%
2.4%	Property	2.4%
2.4%	Cash	2.4%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.4	Men (years)	22.0
24.4	Women (years)	24.0
	Longevity at 65 for Future Pensioners:	
24.0	Men (years)	22.7
26.3	Women (years)	25.5
	Financial Assumptions	
3.4%	Rate of inflation	2.7%
2.5%	Rate of increase in pensions	1.9%
2.8%	Rate of increase in salaries	2.4%
2.4%	Rate for discounting scheme liabilities	2.3%
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	64.0%

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 43.

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 2019, and their recommendations have been implemented from April 2020. The actuary has recommended a combination of a stable employer contribution percentage at 17.4% along with a cash lump sum

into the fund of £1.9m for the current and following two years. The Council anticipates to pay £12.7m expected contributions to the scheme in 2020/21 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 2022 the results of which will be implemented in 2023/24 financial year.

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 shares a number of posts with Cambridgeshire County Council (CCC), see Note 12. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are not included in this note.

The Council acted as employer for 29 staff working for Cambridgeshire and Peterborough Combined Authority (CPCA) for April 2019 only, as they transferred to sole CPCA employment on 1 May 2019. The cost of these employees are charged to CPCA in full. Further information can be found at <https://cambridgeshirepeterborough-ca.gov.uk/>.

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 2019/20 was approved on 6 March 2019.

2018/19 No. of Employees				Remuneration Band	2019/20 No. of Employees			
Non Schls	Schls	CPCA	Total		Non Schls	Schls	CPCA	Total
29	25	-	54	£50,000 - £54,999	46	34	-	80
17	16	1	34	£55,000 - £59,999	23	13	-	36
10	15	1	26	£60,000 - £64,999	15	14	-	29
10	7	2	19	£65,000 - £69,999	10	9	-	19
8	10	-	18	£70,000 - £74,999	3	12	-	15
3	4	3	10	£75,000 - £79,999	10	2	-	12
5	4	1	10	£80,000 - £84,999	4	2	-	6
4	2	-	6	£85,000 - £89,999	3	3	-	6
1	2	-	3	£90,000 - £94,999	2	2	-	4
-	2	-	2	£95,000 - £99,999	-	1	-	1
1	-	-	1	£100,000 - £104,999	1	4	-	5
1	2	1	4	£105,000 - £109,999	2	-	-	2
-	1	-	1	£110,000 - £114,999	-	1	-	1
3	-	-	3	£120,000 - £124,999	1	-	-	1
-	-	-	-	£125,000 - £129,999	2	-	-	2
-	1	-	1	£130,000 - £134,999	-	1	-	1
1	-	1	2	£140,000 - £144,999	-	-	-	-
1	-	-	1	£145,000 - £149,999	1	-	-	1
-	-	-	-	£150,000 - £154,999	-	1	-	1
1	-	-	1	£170,000 - £174,999	-	-	-	-
-	-	-	-	£175,000 - £179,999	1	-	-	1
-	-	1	1	£195,000 - £199,999	-	-	-	-
1	-	-	1	£220,000 - £224,999	-	-	-	-
96	91	11	198	Total	124	99	-	223

Senior Employees Remuneration

The 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. There were no Bonuses or Benefits in Kind payable during 2019/20 or 2018/19.

Post Holder	Year	PCC Salary Cost ¹	Election duties ²	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ³	Total Remuneration (inc. Pension contributions)	Actual Final Cost to PCC ¹
Chief Executive G Beasley see Note A	2019/20	£85,798	£6,900	£178,497	£29,013	£207,509	£107,205
	2018/19	£86,799*	£373	£173,971	£29,376	£203,346	£101,860
Corporate Director: People & Communities see Note A	2019/20	£74,027	£1,710	£149,764	-	£149,764	£75,737
	2018/19	£72,576	£350	£145,502	£6,262	£151,764	£76,057
Acting Corporate Director: Resources From 30 March 2018 see Note B	2019/20	£123,966	£1,960	£125,926	£21,570	£147,496	£147,496
	2018/19	£121,535*	£200	£121,735	£21,147	£142,882	£142,882
Assistant Director of HR and Development see Note C	2019/20	£82,649	£3,372	£86,021	£14,381	£100,402	£100,402
	2018/19	£81,029	£1,145	£82,174	£14,099	£96,273	£96,273

- Salary 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. The actual final cost to PCC is shown in the final column following recharges to Cambridgeshire County Council.
- Payment for election duties depend on the elections overseen in the year. During 2018/19 there was a local by-election, during 2019/20 there were local elections, a general election, a by-election and the European Election. The General Election costs are funded by the Electoral Commission.
- The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.

*Includes Basic Salary Arrears

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, Director of Governance, Executive Director of Place &

Economy, Director of Customer & Digital Services and Director of Business Improvement & Development but as these posts are employed by CCC they are shown in the table overleaf.

B – The Corporate Director Resources: From 30 March 2018 the post is being covered by an internal acting up arrangement.

C - 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.

The following table shows the costs of the Directors who are employed and shared with CCC.

Post Holder	Year	Salary
Director of Public Health	2019/20	£63,459
	2018/19	£52,632
Director of Governance	2019/20	£66,763
	From 01/11/18	£61,250
Executive Director of Place & Economy	2019/20	£79,617
Director of Customer & Digital Services	2019/20	£75,382
	From 01/01/2019	£16,250
Director of Business Improvement & Development	2019/20	£82,314
	From 01/01/2019	£19,625

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

2018/19	Other Operating Income & Expenditure	2019/20
£000		£000
586	Parish Council Precepts	672
627	Drainage & Flood Levies	648
-	Integrated Transport Authority Levy (Note 12)	3,631
2	Payments to the Government Housing Capital Receipts Pool (Note 15)	-
3,244	Net (Gains) / Losses on Disposal of Non-Current Assets	2,976
(1,220)	Gains on Former Right To Buy Assets	(1,168)
3,239	Total	6,759

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

2018/19	Financing & Investment Income & Expenditure	2019/20
£000		£000
17,704	Interest Payable & Similar Charges (Note 27)	18,495
(1,991)	Interest Receivable & Similar Income (Note 27)	(1,498)
(201)	Other Investment Income	(478)
7,422	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	8,072
(1,099)	(Gains) / Losses on Trading Operations	(1,237)
(1,088)	(Gains) / Losses in Fair Value of Investment Properties (Note 18)	1,538
1,035	Impairment and Derecognition of Current Assets and Long Term Debtors	488
75,081	De-recognition of Subsidiary Assets	5,022
96,863	Total	30,402

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

2018/19	Taxation & Non-Specific Grant Income	2019/20
£000		£000
	Taxation Income	
(74,599)	Council Tax Income	(78,415)
272	NDR Levy Payment	404
2,370	NDR Tariff Payment	2,424
(45,454)	NDR Income	(48,188)
(117,411)	Total Taxation Income	(123,775)
	Non-Specific Government Grants	
(15,056)	Revenue Support Grant	(10,246)
(5,153)	New Homes Bonus	(4,713)
(4,234)	Section 31 Grant	(10,265)
(24,443)	Total Non-Specific Government Grants	(25,224)
(21,647)	Capital Grants & Contributions (Note 24)	(26,974)
(163,501)	Total Income	(175,973)

12 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 14.

Members

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2019/20 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.

Of the 60 Councillors three declarations of related party interests was not received by 15 May 2020.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2019/20 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 related party transactions with the Council in the last financial year, which although not material to the Council are considered material to the organisation providing the services. These are normal business transactions and the

Councillors have not been involved in the decision to award the contracts.

- Cllr M Nadeem is Director of Nadeem Construction Ltd which the Council paid £57k under a contract for Care & Repair services.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £133k for services during 2019/20.
- Cllr J Goodwin is a partner of Worldwide Training Partnership which the Council paid £33k for services during 2019/20.

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 2019/20 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 2019/20 the Council spent £2,593k on services with Vivacity (2018/19 £2,360k) and received £1,333k from Vivacity for services (2018/19 £1,281k).

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 services to Rutland County Council and Fenland District Council
- Regulatory services to Rutland County Council
- Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council
- Neighbourhood planning service to North Kesteven District Council, East Cambridgeshire District Council and to December 2019 South Kesteven District Council
- Health and safety services to Rutland County Council up to November 2019
- CCTV services to Fenland District Council from January 2020
- S106 Viability Service to Fenland District Council and to December 2019 a Planning Development Management service

The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities.

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 County Council and Cambridgeshire and Peterborough Combined Authority (as follows).

Cambridgeshire County Council

The Council shares its Chief Executive, other senior staff and a range of services with Cambridgeshire County Council (CCC) to generate savings for the mutual benefit of both councils. Services shared include Public Health and Social Care Commissioning, Children and Adult Social Care management structures and Regulatory Services. During 2019/20 the Council paid £8,068k to CCC (2018/19 £3,019k) and received £3,095k from CCC (2018/19 £3,319k).

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017 and from 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and regulations came into force in October 2018 enabling the CPCA to levy the Council for the cost of delivering transport functions. During 2019/20 the services were delivered through both Cambridgeshire County and Peterborough City Councils and the levy charged was equal to the budgeted cost for these services. The Council has been providing a range of services to support CPCA. These include Legal, Insurance, Internal Audit, Treasury Management, Finance Systems, Accountancy, and HR & Payroll. As part of the HR & Payroll SLA during 2018/19 the Council acted as employer for 38 CPCA staff. These staff transferred to sole CPCA employment from 1 May 2019. During 2019/20 the Council received £3,234k from CPCA for services provided, costs incurred and grants (£3,592k 2018/19).

Entities Controlled or Significantly Influenced by the Council

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 2019/20 the amount raised was £8k (2018/19 £17k).

Where the Council has substantial interest in companies and relevant transactions and balances, these are detailed in Note 13.

13 Interest in Companies and Partnerships

The Council has interests in a number of subsidiaries and Joint Ventures. Summary financial information of these companies and related party transactions with the Council disclosed in the following text.

Opportunity Peterborough Limited

Opportunity Peterborough Limited 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 are £253k (2018/19 £199k) and it made a profit in year of £52k (2018/19 £53k) The Council made a funding contribution to the company of £140k (2018/19 £190k).

Blue Sky Peterborough Limited

Blue Sky Peterborough Limited 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 2020 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled by the Council and Peterborough Partnership PCC Ltd 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 2020 are £1,225k (£1,894k in 2018/19) and the Partnership made a net loss in year of £269k (net profit in 2018/19 of £129k). During 2019/20 and 2018/19 the Council made no payments to the Partnership and

received £339k in 2019/20 for services and profit distribution (2018/19 £511k).

Empower Community Interest Company (CIC)

The members of Empower Peterborough Community Interest Company 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. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council.

The net assets of the company are £11k (2018/19 £13k) and it made a loss in year of £2k (2018/19 loss of £2k)

NPS Peterborough Ltd

NPS Peterborough Ltd is 50:50 Joint Venture 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 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.

The net assets of the company are £420k (2018/19 £222k) and it made a profit in year of £198k (2018/19 profit of £98k). During the year the Council spent £2,277k on services with the company (2018/19 £2,168k) and received £214k for services (2018/19 £79k).

Medesham Homes LLP

Medesham Homes LLP is a limited liability partnership 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 £162k (2018/19 £95k) and it made a profit of £95k (2018/19 loss of £78k). During 2019/20 the Council made a capital grants totalling £7,739k to Medesham Homes LLP for the provision of homes for affordable rent (2018/19 £5,572) and received £420k for the purchase of property.

Medesham Limited

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

Peterborough Limited

Peterborough Limited is a wholly owned subsidiary of Peterborough City Council trading under the name Aragon Direct Services. It was incorporated on the 31 July 2018. The company is a Local Authority Trading Company (LATCo) and has been set up as a Teckal company, which means that at least 80% of its income will come from the Council. The company is limited by shares, and the share capital of the company is £1.

Peterborough Ltd has been consolidated into the Group Accounts of the Council, please see page 93 for further details.

14 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. In the following tables the 2018/19 figures have been restated to take account of changes in organisation structure during 2019/20.

Expenditure Chargeable to the General Fund	2018/19	Net Expenditure in the CIES	Expenditure and Funding Analysis (EFA)	Notes (From Page 23)	2019/20	Net Expenditure in the CIES
	Adjustments between the Funding and Accounting Basis (Note 15)				Expenditure Chargeable to the General Fund	
£000	£000	£000			£000	£000
1,380	119	1,499	Business Improvement		1,071	1,153
4,346	212	4,558	Chief Executives		1,584	1,766
80,120	25,349	105,469	Customer & Digital Services		7,784	7,752
31,948	(8,148)	23,800	Governance	4	4,393	4,728
23,330	19,871	43,201	People & Communities	1, 2, 6	78,777	101,803
(61)	33	(28)	Place & Economy		18,500	38,227
6,877	(152)	6,725	Public Health	6	241	289
737	60	797	Resources	3	44,948	26,389
148,677	37,344	186,021	Cost of Services		157,298	182,107
(142,810)	79,411	(63,399)	Other Income & Expenditure	9,10, 11	(152,442)	(138,797)
5,867	116,755	122,622	(Surplus) / Deficit on Provision of Services		4,856	43,310
(46,458)			Opening General Fund Balance	15	(40,591)	
5,867			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		4,856	
(40,591)			Closing General Fund Balance*	15	(35,735)	

* This balance represents three usable reserves, the General Fund Balance, School's Balances and Specific Earmarked Reserves, see Note 15 for more detailed information.

Adjustments for Capital Purposes ¹	2018/19			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes ¹	2019/20		
	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
-	117	2	119	Business Improvement	-	82	-	82
16	193	3	212	Chief Executives	-	183	(1)	182
24,209	5,715	(4,576)	25,348	Customer & Digital Services	(140)	123	(15)	(32)
82,894	574	(91,615)	(8,147)	Governance	-	332	3	335
19,060	462	349	19,871	People & Communities	12,835	9,050	1,141	23,026
-	32	1	33	Place & Economy	18,908	704	115	19,727
(202)	66	(16)	(152)	Public Health	-	47	1	48
-	59	1	60	Resources	13,021	(2,154)	(29,426)	(18,559)
125,977	7,218	(95,851)	37,344	Cost of Services	44,624	8,367	(28,182)	24,809
(23,952)	7,422	95,941	79,411	Other income and expenditure from the EFA	(21,025)	8,076	26,594	13,645
102,025	14,640	90	116,755	Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services	23,599	16,443	(1,588)	38,454

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 Council 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 including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

Revenues from External Customers £000	2018/19*		Segmental analysis of certain Items of Income and Expenditure shown net in the EFA	Revenues from External Customers £000	2019/20	
	Interest Revenue £000	Interest Expense £000			Interest Revenue £000	Interest Expense £000
(76)	0	-	Business Improvement	(15)	-	-
(435)	0	-	Chief Executives	(294)	-	-
(907)	0	16	Customer & Digital Services	(849)	-	14
(894)	0	-	Governance	(952)	-	-
(56,216)	(6)	248	People & Communities	(50,286)	(11)	327
(13,870)	(1)	621	Place & Economy	(13,969)	(1,378)	549
(202)	0	-	Public Health	(380)	-	-
(16,455)	(1,985)	16,819	Resources	(14,561)	(109)	17,605
(89,055)	(1,992)	17,704	Total in Cost of Services	(81,306)	(1,498)	18,495

2018/19*	Expenditure & Income Analysed by Nature	2019/20
£000		£000
130,991	Expenditure Employee Expenses	126,489
13,237	Employee Expenses (Voluntary Aided and Foundation Schools) ¹	12,866
412,199	Other Service Expenses	313,348
29,450	Depreciation, Amortisation & Impairment	27,348
17,704	Interest Payments (Note 10)	18,495
-	Loss in Fair Value of Investment Properties	1,538
1,213	Precepts & Levies (Note 9)	4,951
2	Payments to Housing Capital Receipts Pool	-
604,796	Total Expenditure	505,035
	Income	
(89,055)	Fees, Charges & Other Service Income	(81,306)
(9,661)	Capital Receipts (Note 15)	(1,991)
(1,088)	Gain in Fair Value of Investment Properties	-
(2,192)	Interest & Investment Income (Note 27)	(1,976)
(74,599)	Income from Council Tax (Note 11)	(78,415)
(45,454)	NDR Income (Note 11)	(48,188)
(260,125)	Government Grants & Other Contributions	(249,849)
(482,174)	Total Income	(461,725)
122,622	Deficit / (Surplus) on the Provision of	43,310

¹Following 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 Council. However Voluntary Aided and Foundation schools employees are not in fact employees of the Council, so they are shown separately in this note.

15 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 and repayment of loans and continues to be 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 2019/20	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	(24,070)	-	-	24,070
Revaluation losses on Property Plant and Equipment	(4,431)	-	-	4,431
Movements in the fair value of Investment Properties	(1,538)	-	-	1,538
Amortisation of intangible assets	(3,278)	-	-	3,278
Capital grants and contributions	35,453	-	-	(35,453)
Revenue expenditure funded from capital under statute	(24,529)	-	-	24,529
Impairment of Financial Asset (Loans)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(9,737)	-	-	9,737
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	5,918	-	-	(5,918)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	620	-	(620)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	772	(772)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	1,991	(1,991)	-	-
Redemption of Financial Assets (Loans)	-	-	-	-
Use of the reserve to finance capital expenditure	-	-	-	-
Capital Receipts used for the repayment of loans	-	10,874	-	(10,874)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,220)	-	1,220
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	-	-	-	-
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.	10	-	-	(10)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(30,424)	-	-	30,424
Employer's pensions contributions & direct payments to pensioners payable in the year	13,983	-	-	(13,983)
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	166	-	-	(166)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,956	-	-	(1,956)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	(544)	-	-	544
Total Adjustments	(38,454)	7,663	152	30,639

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	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	(27,048)	-	-	27,048
Revaluation losses on Property Plant and Equipment	(17,989)	-	-	17,989
Movements in the fair value of Investment Properties	1,088	-	-	(1,088)
Amortisation of intangible assets	(2,402)	-	-	2,402
Capital grants and contributions	38,000	-	-	(38,000)
Capital contributions used for the repayment of loans	(20,502)	-	-	20,502
Revenue expenditure funded from capital under statute	(105)			105
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(83,740)			83,740
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	226		-	(226)
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
Capital grants & contributions unapplied from the CIES	789	-	(789)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	895	(895)
<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	8,441	(8,441)	-	-
Redemption of Financial Assets (Loans)	-	(8,200)	-	8,200
Use of the reserve to finance capital expenditure	-	8,200	-	(8,200)
Capital Receipts used for the repayment of loans	-	11,189	-	(11,189)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(10,413)	-	10,413
<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	1,220	-	-	(1,220)
<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.	(48)	-	-	48
<i>Adjustments involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(29,051)	-	-	29,051
Employer's pensions contributions & direct payments to pensioners payable in the year	14,410	-	-	(14,410)
<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	(611)	-	-	611
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(345)	-	-	345
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
Adjustments for short-term compensated absences	914	-	-	(914)
Total Adjustments	(116,755)	(7,663)	106	124,312

- **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.

<i>1 April 2018</i>	<i>Movement</i>	<i>31 March 2019</i>	Summary of Usable and Unusable Reserves	1 April 2019	Movement	31 March 2020
<i>£000</i>	<i>£000</i>	<i>£000</i>		£000	£000	£000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	888	(5,112)
(5,559)	2,185	(3,374)	School's Balances	(3,374)	215	(3,159)
(34,899)	3,682	(31,217)	Specific Earmarked Reserves (Note 16)	(31,217)	3,753	(27,464)
-	(7,663)	(7,663)	Capital Receipts Reserve	(7,663)	7,663	-
(1,216)	106	(1,110)	Capital Grants Unapplied Account	(1,110)	152	(958)
(47,674)	(1,690)	(49,364)	Total Usable Reserves	(49,364)	12,671	(36,693)
			Unusable Reserves			
(152,296)	19,559	(132,737)	Revaluation Reserve	(132,737)	(16,423)	(149,160)
26,657	75,258	101,915	Capital Adjustment Account	101,915	7,342	109,257
(10,420)	9,193	(1,227)	Deferred Capital Receipts Reserve	(1,227)	1,220	(7)
387	48	435	Financial Instruments Adjustment Account	435	(10)	425
271,338	60,697	332,035	Pension Reserve	332,035	(110,547)	221,488
(1,483)	956	(527)	Collection Fund Adjustment Account	(527)	(2,122)	(2,649)
3,286	(914)	2,372	Accumulating Compensated Absences Adjustment Account	2,372	544	2,916
137,469	164,797	302,266	Total Unusable Reserves	302,266	(119,996)	182,270
89,795	163,107	252,902	Total Usable and Unusable Reserves	252,902	(107,325)	145,577

- **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).

2018/19 £000	Revaluation Reserve:	2019/20 £000
(152,296)	Balance at start of year	(132,737)
(18,071)	Upward revaluation of assets	(42,863)
12,500	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	19,216
2,801	Difference between fair value depreciation & historical cost depreciation	2,283
22,329	Release of revaluation gains on disposal	4,941
<u>(132,737)</u>	Balance at end of the year	<u>(149,160)</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.

2018/19 £000	Capital Adjustment Account:	2019/20 £000
26,657	Balance at start of year	101,915
27,048	Charges for depreciation & Impairment	24,070
17,989	Revaluation (gains) / losses on Property, Plant & Equipment	4,431
(1,088)	Movement in fair market value of Investment Properties	1,538
2,402	Amortisation of Intangible Assets	3,278
(38,000)	Capital Grants & Contributions that have been applied to Capital Financing	(35,453)
(895)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(772)
20,502	Revenue Expenditure Funded from Capital under Statue (REFCUS)	18,965
-	Capital Direction	5,564
83,740	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	9,737
105	Impairment of Empower Loan	-
8,200	Redemption of Financial Assets (Loans)	-
(8,200)	Transfer from Useable Capital Receipts	-
(11,189)	Use of Capital Receipts to Repay Loans	(10,874)
(226)	Revenue Provision for the Repayment of Loans	(5,918)
(2,801)	Depreciation & Impairment written down to Revaluation Reserve	(2,283)
(22,329)	Transfer of Revaluation Reserve on disposal	(4,941)
<u>101,915</u>	Balance at end of the year	<u>109,257</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 or repayments of loans. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2018/19 £000	Deferred Capital Receipts Reserve:	2019/20 £000
(10,420)	Balance at start of year	(1,227)
(1,220)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	-
10,413	Transfer to the Capital Receipts Reserve upon receipt of cash	1,220
<u>(1,227)</u>	Balance at end of the year	<u>(7)</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.

2018/19 £000	Financial Instruments Adjustment Account:	2019/20 £000
387	Balance at start of year	435
48	Interest Paid on Short Term Loans	(10)
<u>435</u>	Balance at end of the year	<u>425</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.

2018/19 £000	Pensions Reserve:	2019/20 £000
271,338	Balance at start of year	332,035
46,056	Actuarial gains / losses on pension assets & liabilities (Note 7)	(126,988)
29,051	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)	30,424
(14,410)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(13,983)
<u>332,035</u>	Balance at end of the Year	<u>221,488</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.

2018/19 £000	Collection Fund Adjustment Account:	2019/20 £000
(1,483)	Balance at start of year	(527)
611	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	(166)
345	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(1,956)
<u>(527)</u>	Balance at end of the Year	<u>(2,649)</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.

2018/19 £000	Accumulating Compensated Absences Adjustment Account:	2019/20 £000
3,286	Balance at start of year	2,372
(914)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	544
<u>2,372</u>	Balance at end of the Year	<u>2,916</u>

16 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 2019 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2020 £000	Purpose of the Earmarked Reserve
Departmental Reserves	6,890	(2,443)	768	(138)	5,077	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	3,398	(325)	-	-	3,073	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	483	(50)	319	-	752	School revenue reserves put aside for funding future school capital schemes.
Capacity Building	14,973	(7,022)	3,774	1,268	12,993	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	364	(355)	-	-	9	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	4,214	(3,084)	-	(1,130)	-	A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings.
Covid-19 Reserve	-	-	5,332	-	5,332	To be used to fund coronavirus (COVID-19) pressures across all services in 2020/21.
Other	895	(669)	2	-	228	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	31,217	(13,948)	10,195	-	27,464	

17 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2019/20	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 2019 Gross Book Value	361,672	42,318	309,446	901	683	1,135	2,058	718,213
Additions	9,609	2,250	17,286	60	-	-	7,135	36,340
Revaluation increase / (decrease) recognised in the Revaluation Reserve	18,603	-	-	-	-	-	-	18,603
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(8,703)	-	-	-	-	-	-	(8,703)
Derecognition - Disposals	(8,788)	(8,341)	(358)	-	-	-	-	(17,487)
Reclassified Assets	(1,100)	-	-	-	-	-	-	(1,100)
Assets Under Construction Completed In Year	1,429	-	-	-	-	-	(1,455)	(26)
At 31 March 2020	372,722	36,227	326,374	961	683	1,135	7,738	745,840
Accumulated Depreciation and Impairment								
At 01 April 2019	(17,389)	(19,993)	(131,786)	-	-	(104)	-	(169,272)
Depreciation Charge	(6,799)	(5,014)	(13,558)	-	-	-	-	(25,371)
Depreciation written out to the Revaluation Reserve	6,035	-	-	-	-	-	-	6,035
Depreciation written out to the (Surplus) / Deficit on Provision of Services	4,272	-	-	-	-	-	-	4,272
Impairment (losses) /reversals recognised in the Revaluation Reserve	(991)	-	-	-	-	-	-	(991)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	1,662	(301)	-	(60)	-	-	-	1,301
Depreciation Movement on Transfers	-	-	-	-	-	-	-	-
Derecognition - Disposals	762	8,323	143	-	-	-	-	9,228
At 31 March 2020	(12,448)	(16,985)	(145,201)	(60)	-	(104)	-	(174,798)
Net Book Value - At 31 March 2020	360,274	19,242	181,173	901	683	1,031	7,738	571,042
<i>Net Book Value - At 31 March 2019</i>	<i>344,283</i>	<i>22,325</i>	<i>177,660</i>	<i>901</i>	<i>683</i>	<i>1,031</i>	<i>2,058</i>	<i>548,941</i>

Comparative Movements in 2018/19

<i>Property, Plant & Equipment (PPE) – 2018/19</i>	<i>Other Land & Buildings</i>	<i>Vehicles, Plant & Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2018 Gross Book Value</i>	420,680	40,286	283,821	901	688	1,135	14,865	762,376
<i>Additions</i>	27,723	2,899	25,240	4	-	-	17,957	73,823
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	1,941	-	-	-	(5)	-	-	1,936
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(18,206)	-	-	-	-	-	-	(18,206)
<i>Derecognition - Disposals</i>	(90,599)	(6,353)	-	-	-	-	(5)	(96,957)
<i>Reclassified Assets</i>	(3,433)	-	-	-	-	-	(77)	(3,510)
<i>Assets Under Construction Completed In Year</i>	23,566	5,486	385	1	-	-	(30,682)	(1,244)
<i>At 31 March 2019</i>	361,672	42,318	309,446	906	683	1,135	2,058	718,218
<i>Accumulated Depreciation and Impairment</i>								
<i>At 01 April 2018</i>	(18,900)	(20,491)	(119,366)	-	-	(104)	-	(158,861)
<i>Depreciation Charge</i>	(8,611)	(4,736)	(12,420)	-	-	-	-	(25,767)
<i>Depreciation written out to the Revaluation Reserve</i>	3,056	-	-	-	-	-	-	3,056
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	233	-	-	-	-	-	-	233
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	(119)	-	-	-	-	-	-	(119)
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(1,276)	-	-	(5)	-	-	-	(1,281)
<i>Depreciation Movement on Transfers</i>	-	-	-	-	-	-	-	-
<i>Derecognition - Disposals</i>	8,087	5,234	-	-	-	-	-	13,321
<i>Assets Reclassified</i>	141	-	-	-	-	-	-	141
<i>At 31 March 2019</i>	(17,389)	(19,993)	(131,786)	(5)	-	(104)	-	(169,277)
<i>Net Book Value - At 31 March 2019</i>	344,283	22,325	177,660	901	683	1,031	2,058	548,941
<i>Net Book Value - At 31 March 2018</i>	401,780	19,795	164,455	901	688	1,031	14,865	603,515

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18 Investment Properties

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:

2018/19 £000	Investment Properties	2019/20 £000
21,797	Balance at start of year	25,676
27	Subsequent Expenditure (Note 24)	99
7	Assets Under Construction Completed in Year	26
-	Disposals	(1,128)
1,088	Revaluations (Note 10)	(1,538)
2,757	(To) / From Property, Plant and Equipment	-
25,676	Balance at end of the Year	23,135

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, NPS Ltd, 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.

19 Intangible Assets

Intangible assets are assets that do not have physical substance for example computer software and licences. There are two items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

31 March 2019	Intangible Assets	Remaining Amortisation Period Years	31 March 2020 £000
£000			
1,907	Lot 1 Viridor Contract	26	1,834
862	Sand Martin House ICT	2	573
2,769	Total		2,407

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 2019	Intangible Assets	31 March 2020
£000	Balance at 1 April:	£000
20,319	Gross Carrying Amounts	22,581
(11,341)	Accumulated Amortisation	(13,437)
8,978	Net Carrying Amount at Start of the Year	9,144
	Additions	
1,351	Purchases (Note 24)	2,539
1,238	Assets Under Construction Completed in Year	-
(2,402)	Amortisation for the period	(3,278)
	Disposals	
(326)	De-recognition - Disposals	-
305	De-recognition - Disposals (Accumulated Amortisation)	-
9,144	Net Carrying Amount at the End of Year	8,405
22,581	Gross Carrying Amounts	25,120
(13,437)	Accumulated Amortisation	(16,715)
9,144	Net Carrying Amount at the End of Year	8,405

20 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.

2018/19 £000	Assets Held for Sale - Current Assets	2019/20 £000
80	Balance at 1 April:	1,217
698	Revaluation Gains	13
(16)	Revaluation Losses	(13)
535	Property, Plant and Equipment Classified as Held for Sale	1,100
(84)	Assets Sold	(350)
	Other movements:	
4	Additions (Note 24)	48
1,217	Balance at end of the Year	2,015

21 Capital Commitments

As at 31 March 2020 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 £11.3m, are part of the approved capital programme within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract £000	Value outstanding at 31/3/20 £000
Manor Drive Primary Academy	340	149
Hampton Lakes Primary Free School	6,385	1,898
Clare Lodge - Refurbishment	1,352	522
Demolition of Northminster Multi-Storey Car Park	616	399
Oundle Road Improvement	1,571	1,228
Primary Public Transport	208	208
Access Road to New University	200	149
Dropped Kerb - Cheviot Avenue	125	125
Road and Bridges Lighting - Crabtree Paston	183	106
Manor Drive Primary Academy	340	149
Total	11,320	4,933

22 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 2019/20 were carried out by NPS Peterborough Ltd. 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 NPS Peterborough Ltd 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 Council revalued £255.3m of Land and Buildings in 2019/20 and £161.0m in 2018/19 which is approximately 68% of the Council overall Gross Book value of the assets held in Land and Buildings.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, NPS Peterborough Ltd, consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that all are faced with an unprecedented set of circumstances on which to base a judgement.

Therefore the valuations are reported on the basis of 'material valuation uncertainty' as per the Valuation Technical and Performance Standards (VPS 3) and the Material Valuation Uncertainty Standard (VPGA 10) of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuations of these properties need to be reviewed every six months.

Further details at <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus>.

The following table 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 15	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
	£000	£000	£000	£000
Valued at current value as at:				
31 March 2020	16,423	-	-	16,423
31 March 2019	(18,775)	(5)	(779)	(19,559)
31 March 2018	8,015	(4)	79	8,090
31 March 2017	31,806	11	-	31,817
31 March 2016	8,100	(21)	(14,566)	(6,487)
31 March 2015 & Prior Years	102,013	21	16,842	118,876
Total Valuation	147,582	2	1,576	149,160

* Assets Held for Sale includes values relating to Surplus Assets

23 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 17 which reconcile the movement over the year for Property, Plant, and Equipment (PPE).

During 2019/20 £1.1m (2018/19 £2.3m) 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.

24 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.

2018/19 £000		2019/20 £000
540,082	Opening Capital Financing Requirement	577,427
55,866	Property, Plant and Equipment (Note 17)	29,205
17,957	Assets Under Construction (AUC) (Note 17)	7,135
27	Investment Properties (Note 18)	99
1,351	Intangible Assets (Note 19)	2,539
4	Assets Held For Sale (Note 20)	48
20,502	Revenue Expenditure Funded from Capital under Statute (REFCUS)	19,355
-	Prior Year REFCUS Grant Return and Abortive Costs	(312)
-	Capitalisation Direction	5,564
148	Loans to Third Parties	386
	Sources of Finance	
(38,895)	Capital Grants & Contributions	(36,225)
(226)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(5,918)
(11,189)	Repayment of Loan debt from Capital Receipts	(10,874)
(8,200)	Capital Receipts – repayment of Loan	-
577,427	Closing Capital Financing Requirement	588,429
	Explanation of movements in year	
35,169	Increase in underlying need to borrow:	27,728
13,591	Assets acquired under finance leases	378
-	Prior Year REFCUS Grant Return and Abortive Costs	(312)
	Decrease in underlying need to borrow:	
(226)	MRP	(5,918)
(11,189)	Capital Receipts used to repay MRP	(10,874)
37,345	Increase in Capital Financing Requirement	11,002

The repayment of loans for capital expenditure has been funded in line with the Medium Term Financial Strategy, as follows:

2018/19 £000	Repayment of Loans Funded by:	2019/20 £000
226	Minimum Revenue Provision	5,918
11,189	Capital Receipts	10,874
-	Capital Contribution	-
3,176	Previous Years Overprovision	-
14,591	Total Repayment of Loans	16,792

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 2019/20 this expenditure is £19.4m compared with £20.5m in 2018/19. £6.4m of this REFCUS expenditure relates to Academies (which include the 22 schools that have transferred to Academies since the transfer programme began) 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'.

2018/19 £000	Reconciliation of Grant Funding Applied to Capital Financing	2019/20 £000
21,647	Grants Received in year (Note 11)	26,974
-	POIS used to fund MRP	-
(789)	Grants Received in year not applied in year	(620)
895	Grants Applied from Capital Grants Unapplied Account	772
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
17,142	In Year	9,099
38,895	Total Grants & Contributions applied	36,225

2018/19 £000	Body of Grant Funding Applied	2019/20 £000
1,865	Department for Communities & Local Government	2,298
2,586	Department for Transport	90
18,243	Department of Education	17,231
52	Department of Health	72
63	Arts Council	-
6,570	Cambridgeshire & Peterborough Combined Authority	9,656
29,379	Total Grants Applied	29,347
7,670	Section 106 Contributions	4,581
1,846	Third Party Contributions	2,297
9,516	Total Contributions applied	6,878
38,895	Total Grants & Contributions applied	36,225

25 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 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 and Jack Hunt have 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 remaining school which is recognised on the Council's Balance Sheet is £16.6m (2018/19 £14.8m).

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 2020 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
Payable:	£000	£000	£000	£000
In 2020/21	974	1,994	5,508	8,476
Within two to five years	4,183	7,060	23,620	34,863
Within six to ten years	8,353	8,073	29,497	45,922
Within 11 to 15 years	10,853	4,618	33,375	48,846
Within 16 to 18 years	5,500	(182)	19,277	24,595
Total	29,863	21,563	111,277	162,702

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 2019		31 March 2020	
£000		£000	
(31,775)	Balance brought forward	(30,786)	
989	Lease liability redemption in the year	923	
(30,786)	Value of Total Liability carried forward	(29,863)	
(923)	Short Term Liability	(974)	
(29,863)	Long Term Liability	(28,889)	
(30,786)	Value of Total Liability carried forward	(29,863)	

26 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 2019		31 March 2020	
£000	Council as Lessee - Finance Leases	£000	
15,435	Other Land & Buildings	14,994	
183	Vehicles, Plant Furniture & Equipment	421	
<u>15,618</u>	Total	<u>15,415</u>	

The Council has two long finance leases on Investment Properties, 33 Academy finances leases and a finance lease for Council Offices and Car Park.

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 2019		31 March 2020	
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000	
293	Current	286	
15,728	Non-current	15,798	
43,902	Finance costs payable in future years*	42,279	
<u>59,923</u>	Minimum lease payments	<u>58,363</u>	

* Non-Peppercorn leases range from one to 86 years

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

31 March 2019			31 March 2020	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
2,035	293	Not later than one year	2,054	286
7,549	775	Later than one year & not later than five years	7,836	1,068
50,339	14,953	Later than five years *	48,473	14,730
<u>59,923</u>	<u>16,021</u>	Total	<u>58,363</u>	<u>16,084</u>

* Non-Peppercorn leases range from one to 86 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units as well as two retail units and the second floor of the Council Offices at Sand Martin House. At 31 March 2020 the minimum payments expected to be received under these sub-leases was £606k (£308k in 2018/19).

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 these contracts are enforceable during that period and would only be cancelled with the permission of the Landlord:

31 March 2019		31 March 2020	
£000	Council as Lessee - Operating Leases	£000	
1,568	Not later than one year	1,604	
5,897	Later than one year & not later than five years	5,620	
15,662	Later than five years	13,014	
23,127	Total	20,238	

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 2019		31 March 2020	
£000	Council as Lessee - Operating Leases	£000	
1,525	Minimum lease payments	1,741	
-	Contingent rents	-	
(68)	Sublease payment receivable	(385)	
1,457	Total	1,356	

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 2019		31 March 2020	
£000	Council as Lessor - Operating Leases	£000	
2,787	Not later than one year	3,501	
8,675	Later than one year & not later than five years	15,527	
43,887	Later than five years*	46,259	
55,349	Total	65,287	

* Above operating leases range from five to 125 years

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

27 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:

2018/19 £000		2019/20 £000
	Financial Assets	
(1,991)	Interest Income	(1,498)
(201)	Other Investment Income	(478)
(2,192)	Total for Financial Assets (Note 10)	(1,976)
	Financial Liabilities	
2,211	Interest Payable Relating to PFI	2,071
15,493	Interest Payable on Borrowings	16,424
17,704	Total for Financial Liabilities (Note 10)	18,495
15,512	Net expenditure for the year	16,519

Under IFRS 9 the financial assets on the Balance Sheet are now classified by one of the following categories:

- Amortised Cost
- Fair Value through the Income and Expenditure
- Fair Value through the Profit and Loss

The Council only has Assets and Liabilities held at Amortised cost on the Balance Sheet.

2019 Long Term £000	2019 Current £000		2020 Long Term £000	2020 Current £000
		Financial Instruments Balances		
		Assets at Amortised Cost:		
-	17	Investments	-	3
-	23,046	Debtors – ECS Peterborough 1 LLP	-	23,046
1,372	24,864	Debtors - Loans and receivables	2,509	24,846
1,372	47,927	Total Assets at Amortised Cost	2,509	47,895

2019 Long Term £000	2019 Current £000		2020 Long Term £000	2020 Current £000
		Liabilities at Amortised Cost:		
(392,087)	(65,500)	Borrowings - Financial liabilities at amortised cost	(374,587)	(103,000)
-	(3,562)	Accrued Interest associated with Borrowing	-	(3,457)
(129)	-	Long term Creditors	(120)	-
(45,591)	-	Long term PFI & finance lease liabilities	(44,687)	-
-	(4,920)	Creditor - Financial liabilities at amortised cost	-	(4,151)
(437,807)	(73,982)	Total Liabilities at Amortised Cost	(419,394)	(110,608)

Note: Accrued interest is not required for instruments measured at Equivalent Interest Rate as this adjustment covers a full year's interest.

28 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 2020 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.

Covid-19 - Paragraph 2.10.2.18 of the Code establishes that when measuring fair value an authority is required to take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the 31 March 2020. This importantly establishes two issues: that the fair value measurement is at the measurement date (and not a future date) and that the measurement must reflect the market participant's views and assumptions about the pricing of an asset or a liability at that date. Fair value measurements for financial instruments and investment properties held by local authorities will need to be reviewed against the conditions and assumptions at the measurement date. This will be difficult because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs.

The Amortised Cost value includes trade debtors. The Fair Values calculated are as follows:

2018/19		Financial Liabilities	2019/20	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(369,587)	(467,365)	PWLB debt	(369,587)	(445,846)
(22,500)	(22,552)	Non-PWLB debt	(5,000)	(4,964)
(65,500)	(73,368)	Short term borrowing *	(103,000)	(109,533)
(3,562)	(3,562)	Accrued Interest associated with Borrowing	(3,457)	(3,457)
(3,704)	(3,704)	Short term creditors	(2,891)	(2,891)
(1,216)	(1,216)	Short term finance lease liability	(1,260)	(1,260)
(129)	(129)	Long term creditors	(120)	(120)
(45,591)	(59,413)	Long term PFI & finance lease liabilities	(44,687)	(56,750)
(511,789)	(631,309)	Total	(530,002)	(624,821)

* Short term borrowing includes £17.5m of LOBO's

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 29 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £445.8m 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.

2018/19		Financial Assets	2019/20	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
17	17	Short Term Investments	3	3
23,046	23,046	ECS Peterborough 1 LLP Loan	23,046	23,046
15,268	15,268	Total Cash and Cash Equivalent	10,437	10,437
9,596	9,596	Trade Debtors	14,409	14,409
1,372	1,372	Other Long Term Loans & Receivables	2,509	2,509
49,299	49,299	Total	50,404	50,404

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

29 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 2019/20 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) 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.

The Council had a total of £9.7m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2020. 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 2020. 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 86.25p to 87.0p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2020 are £1.9m for KSF and £1.0m for HB (2018/19 £1.9m, £1.0m). Further dividends are expected in 2020/21.

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. 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:

2018/19 £000	Age of Trade Debt	2019/20 £000
5,754	Less than three months	8,887
656	Three to six months	436
725	Six months to one year	1,023
2,461	More than one year	4,063
9,596	Total	14,409

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:

<i>Restated</i> 2018/19	Maturity analysis of financial liabilities	2019/20
£000		£000
(73,983)	Less than one year *	(110,608)
(18,700)	Between one and two years	(10,902)
(26,360)	Between two and five years	(30,280)
(392,747)	Between five and fifty years	(378,212)
<u>(511,790)</u>	Total	<u>(530,002)</u>

* Less than one year includes £17.5m of LOBO's

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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 27 by £79.4m, 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 13. 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.

30 Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

<i>31 March 2019</i>	Inventories	31 March 2020
<i>£000</i>		£000
374	Westcombe Industries Stock	397
82	Other Stock Balances	64
<u>456</u>	Total	<u>461</u>

31 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows. Further details about the impact of Covid-19 on debtors can be found in Note 42.

31 March 2019	Debtors (Each item is net of impairment)	31 March 2020
£000		£000
12,952	Cambridgeshire & Peterborough CCG	9,228
673	Cambridgeshire & Peterborough Combined Authority	2,674
1,673	Capital Funding Contributions	1,284
3,544	Central Government Departments	5,719
8,047	Council Tax Arrears	9,127
1,630	Cross Keys Homes	1,477
2,138	Housing Benefit Overpayments	1,247
2,080	NNDR Arrears	1,609
526	Other NHS Organisations	1,594
6,186	Payments in Advance	7,956
1,269	Commercial Property Rent Arrears	2,108
12,935	General Debtors	16,017
<u>53,653</u>		<u>60,040</u>
23,046	Outstanding Balances on Loans Granted ECS Peterborough 1 LLP (Notes 13, 27)	23,046
-	Local Authority Mortgage Scheme Loan	-
<u>76,699</u>	Total Debtors	83,086

32 Creditors

Amounts owed by the Council for goods and services received prior to the year-end are as follows.

31 March 2019	Creditors	31 March 2020
£000		£000
(1,062)	Council Tax Overpaid	(1,857)
(1,005)	Council Tax Prepaid	(1,401)
(2,610)	NDR Overpaid	(2,470)
(1,159)	NDR Prepaid	(635)
(6,981)	NDR Preceptors	(8,176)
(8,769)	Deposits / Receipts in Advance	(13,395)
(2,372)	Accrual Accumulated Absences (Note 15)	(2,916)
(1,216)	Short Term Finance Lease Liabilities (Note 26)	(1,260)
<u>(38,583)</u>	General Creditors	<u>(37,053)</u>
<u>(63,757)</u>	Total Creditors	(69,163)

33 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred, where a cash outflow is probable and a reliable estimate can be made. Provisions are set aside in the accounts and charged to individual services. Estimated amounts outstanding at the year-end are as follows.

Provision Description	31 March 2019	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2020
	£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.	(863)	-	-	-	(441)	(1,304)
<u>Voluntary Redundancy Provision</u> – redundancy related payments, regarding decisions made in 2019/20 but which will be paid in 2020/21	-	(1,028)	-	-	-	(1,028)
<u>Carbon Reduction Commitment Scheme (CRC)</u> - the obligation of the Council for the purchase of CRC allowances for 2018/19 which was the final year of the scheme.	(165)	-	128	37	-	-
<u>Climate Change Levy (CCL)</u> - estimated liability for 2017/18 and 2018/19	(634)		195	439		-
<u>CAY Pensions Costs</u> – Pre 1980 Pension Contributions obligation for 2019/20 but not paid	-	(560)				(560)
<u>Non Domestic Rate Appeals Provision</u> – see Collection Fund for further details	(7,426)	(2,298)	1,714	728	-	(7,282)
Total Short Term Provisions	(9,088)	(3,886)	2,037	1,204	(441)	(10,174)
Long Term Provisions						
<u>Insurance Claims</u> – see above comments	(175)	(885)	263	-	441	(356)
Total Short and Long Term Provisions	(9,263)	(4,771)	2,300	1,204	-	(10,530)

34 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 2019	Capital Grants Receipts in Advance £000	31 March 2020 £000
(2,739)	Department of Education	(1,334)
(8)	Department for Transport	(419)
(1,464)	Cambridgeshire & Peterborough Combined Authority	(2,222)
(545)	Homes and Communities Agency (HCA)	(545)
(509)	Disabled Facilities Grant	(181)
(478)	Other Third Party Contributions	(19)
-	Community Infrastructure Levy (CIL)	(203)
(14,153)	Section 106 Contributions	(14,715)
<u>(19,896)</u>	Total Capital Grants Receipts in	(19,638)

35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000	Cash Flow Statement – Operating Activities	2019/20 £000
(646)	Interest Received	(126)
17,933	Interest Paid	16,718

36 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

Restated 2018/19 £000	Cash Flow Statement – Investing Activities	2019/20 £000
59,739	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	41,617
21,232	Other Payments for Investing Activities	19,756
(17,458)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(822)
(7,205)	Proceeds from Short and Long Term Investments	(15)
<u>56,308</u>	Net cash flows from investing activities	60,536

**restated to adjust the classification of cash inflows and outflows from the granting and redemption of loans*

37 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2018/19 £000	Cash Flow Statement – Financing Activities	2019/20 £000
(60,000)	Cash Receipts of Short & Long Term Borrowing	(37,500)
23,891	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	18,739
(3,031)	Other Payments for Financing Activities	(1,632)
<u>(39,140)</u>	Net cash flows from financing activities	(20,393)

38 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.

2018/19	Cash Flow Statement – Cash and Cash Equivalents	2019/20
£000		£000
15,000	Short Term Cash Investments	9,700
44	Petty Cash & Imprest	38
224	Bank Current Accounts	699
15,268	Total Cash & Cash Equivalents	10,437

39 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 2020 was £16,716 (£16,674 at 31 March 2019). 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 £17,633 at 31 March 2020 (£17,589 at 31 March 2019) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 252 adults and older people (225 at 31 March 2019). The total Client funds at 31 March 2020 was £2.7m (£2.5m at 31 March 2019).

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.

40 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;

- The Supreme Court is currently considering the appeal of "The Mencap Society v Tomlinson-Blake" which relates to whether home workers who are required to remain at home in their shift and/or residential care workers who "sleep in" are entitled to the national minimum wage for the time that is not spent actually performing some specific activity. If this appeal is successful there is a possibility that care providers may be required to pay the resulting costs backdated six years. Whilst this does not directly impact the Council, the financial impact on the care providers it had contracted with will be considerable and the Council may be required to provide some mitigation towards those costs.

41 Accounting Standards that have been Issued but have Not Yet Been Adopted

The standards which have been introduced by the 2020/21 Code and will be effective from 1 April 2020 are as follows:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: This amendment clarifies when the Council would apply IFRS9 to long term interests in associates or joint ventures. It will have no impact on the financial statements as joint ventures are considered under Group Accounting requirements and consolidated using the equity method if material.
- Amendments to IAS 19 Employee Benefits: This amendment specifies how a the Council determines pension expenses when changes to a defined benefit pension plan occur . The Council's 2019/20 pension fund statement is based on the

formal valuation undertaken in 2019, therefore only amendments curtailments or settlements in this financial year are relevant when looking at the impact of the implementation of the amendment to IAS 19. There have been no major changes within the Council in this financial year therefore re-statement by the Actuary to quantify the impact on the accounts is considered not to be material.

- Amendments to IFRS 3 Business Combinations. This amendment clarifies the measurement of the fair value of joint operations when they become controlled. It will not have any impact on the financial statements as the Council did not take control of a joint operation in the financial year 2019/20.
- Amendments to IAS 12 Income Taxes. This amendment relates to the income tax recognition of dividends received and as Council is not subject to income tax this amendment will not apply to its single entity accounts
- Amendments to IAS 23 Borrowing Costs. This relates to the specification for calculation for borrowing costs which can be capitalised when a "weighted average" borrowing cost is used. It is not the Council's policy to capitalise borrowing costs, therefore this amendment will have no impact on the financial statements.

42 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, with a further four transferring status during 2019/20. 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 table overleaf for analysis of the type of schools in Peterborough and its surrounding area;

Type and number of Schools	Community	Controlled	Aided	Academies	Total
Nursery	1	-	-	-	1
Primary Schools	14	4	5	35	58
Secondary Schools	1	-	1	9	11
All through Schools	-	-	-	3	3
Special Schools	4	-	-	1	5
Total	20	4	6	48	78

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 2020 of £0.8m) 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 2020. 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 22, 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 18, 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 reassessed 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 Note 26, pages 57;
- The Council has ten arrangements which it has considered against the Group Accounting criteria. The Council has not included nine of these arrangements within the Group Accounts Statement as due to the nature of their activities and small size, both individually and considered in total, 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. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 12. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS

Peterborough Ltd can be found in Note 13 and Group Accounts.

- In common with many local authorities the Council received an application for mandatory business rate relief from a NHS trust. The legal case was heard by the High Court in December 2019 and was found against the Trust, however following the decision the Trust has requested leave to appeal. The Council considers the advice it received initially from the Local Government Association and the opinion from leading counsel, which determined that the claim had no basis, remains valid and therefore considers no disclosure is required elsewhere in the Statement of Accounts.
- COVID-19 - On the 31 March 2020 there were unprecedented circumstances in place due to the physical and economic impact of COVID-19 within the UK and the rest of the world. At the time these financial statements were prepared it was too soon to evaluate the effect of this and to make appropriate and considered adjustments. Measures to alleviate the difficulties businesses and the economy were experiencing were still being announced by Central Government and amendments to legislation were also being considered to alleviate the impact of COVID-19 on the economy. The accounts therefore have been prepared with limited reference to the effect of COVID-19. An example of this is the Bad Debt provision where the Council's existing standard measures were used to calculate a prudent provision against outstanding debt. Businesses received grants and loans from the government to alleviate distress and there was no consensus of opinion as to how long the measures in place would be required to remain and if further measures would be announced by Central Government. Due to this uncertainty it was determined that there could be no meaningful

adjustments made to reflect the impact of COVID-19 on the outstanding debt.

43 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 2020 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 £225k for every year that useful life is reduced, which equates to a 3.16% increase in this year's depreciation charge.
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £254k, which is 0.03% of the Council's total asset base. 4.2% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the	The effects on net pension's liability of changes in individual assumptions can be measured. For instance, <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 £66.1m a 0.5% increase in the salary increase rate would result in an increase in pension liability of 0.5% or £4.6m a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £61.1m

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.	<ul style="list-style-type: none"> a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2020 the Council had a balance of £24.6m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 12% or £2.9m was appropriate.	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £246k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £179k 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 from 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 £343k. This equates to an 18% 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 £1,654k. This equates to a 31% increase in the estimated provision held in the Council's Balance Sheet.</p>

44 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued on the 13 July 2020.

The Collection Fund and Notes

31 March 2019	Collection Fund Statement	Notes	31 March 2020		Total
£000			Business Rates £000	Council Tax £000	£000
	Income				
(91,054)	Council Tax Receivable		-	(96,774)	(96,774)
(100,812)	Business Rates Receivable	3	(100,310)	-	(100,310)
	Contribution to Previous Year's Deficit:				
286	Peterborough City Council	4	506	-	506
6	Cambridgeshire & Peterborough Fire Authority		10	-	10
292	Central Government		516	-	516
(191,282)	Total Income		(99,278)	(96,774)	(196,052)
	Expenditure				
	Precepts:				
74,023	Peterborough City Council	4	-	78,048	78,048
3,868	Cambridgeshire & Peterborough Fire Authority		-	4,071	4,071
11,180	Cambridgeshire Police Authority		-	12,815	12,815
89,071	Total Precepts		-	94,934	94,934
	Business Rates Share:				
45,129	Peterborough City Council	4	45,383	-	45,383
921	Cambridgeshire & Peterborough Fire Authority		926	-	926
46,050	Central Government		46,309	-	46,309
92,100	Total Business Rates Shares		92,618	-	92,618
	Charges to Collection Fund:				
2,293	Increase / (Decrease) in Bad Debt Provision		1,345	1,392	2,737
3,879	Increase / (Decrease) in Provision for Appeals		(293)	-	(293)
270	Cost of Collection		271	-	271
3,242	Transitional Payment Protection		1,001	-	1,001
336	Renewable Energy Disregard	4	343	-	343
10,020	Total Charges to Collection Fund		2,667	1,392	4,059
	Contribution to Previous Year's Estimated Surplus:				
1,188	Peterborough City Council	4	-	201	201
64	Cambridgeshire & Peterborough Fire Authority		-	11	11
179	Cambridgeshire Police Authority		-	31	31
1,431	Total Contribution to Previous Year's Estimated Surplus		-	243	243
1,340	(Surplus) / Deficit Arising During the Year		(3,993)	(205)	(4,198)
	Collection Fund Balance				
(2,126)	(Surplus) / Deficit Brought Forward 1 April		(366)	(420)	(786)
1,340	(Surplus) / Deficit Arising During the Year		(3,993)	(205)	(4,198)
(786)	(Surplus) / Deficit Carried Forward 31 March		(4,359)	(625)	(4,984)
	Allocated to:				
(527)	Peterborough City Council		(2,135)	(514)	(2,649)
(22)	Cambridgeshire & Peterborough Fire Authority		(44)	(27)	(71)
(54)	Cambridgeshire Police Authority		-	(84)	(84)
(183)	Central Government		(2,180)	-	(2,180)
(786)	Total		(4,359)	(625)	(4,984)

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	34,878	23,252
B	7/9	21,086	16,400
C	8/9	14,345	12,751
D	9/9	8,282	8,282
E	11/9	4,444	5,432
F	13/9	1,929	2,786
G	15/9	964	1,607
H	18/9	70	140
Total		85,998	70,650

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 57,555 (56,259 for 2018/19).

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 2019/20 the total non-domestic rateable value at the year-end is £237.6m (£236.9m in 2018/19). The national multipliers for 2019/20 were 49.1p for qualifying Small Businesses, with the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

4 Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below.

2018/19 £000	Council Precept	NDR £000	Council Tax £000	2019/20 Total £000
(119,152)	Precept / Share	(45,383)	(78,048)	(123,431)
(336)	Estimated Renewable Energy Disregard (RED)	(344)	-	(344)
-	Difference between actual & estimated RED	1	-	1
(1,474)	Share of Prior Year			
	Estimated Deficit / (Surplus)	(506)	(201)	(707)
1,436	Reverse actual share prior year Deficit / (Surplus)	179	348	527
(527)	Share of Deficit / (Surplus)	(2,135)	(514)	(2,649)
(120,053)	Total (Note 11)	(48,188)	(78,415)	(126,603)

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. 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 2018/19, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

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 and Cash Equivalents

Cash in hand and deposits with financial institutions repayable without penalty on 24 hours' notice or less.

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 and is 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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), 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 re-measurements.

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.

Re-measurements are the return on plan assets and actuarial gains and losses. Re-

measurements 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

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

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.

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime

basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

Instruments Entered Into Before 1 April 2006

The Council entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts in the contingent liability note in accordance with the Contingent Liability accounting policies.

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 comprises 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.

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, or joint venture, all of which have been considered for consolidation. One of these, Peterborough Limited trading as Aragon Direct Services, is considered to be material to the financial statements. Details of the companies considered for consolidation are shown further down.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Peterborough Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories;

- Subsidiaries - where the Council exercises control and gains benefits or has exposures to risks arising from this control. Where material these entities are included in the group
- Associates – where the Council exercises a significant influence and has a participating interest. The Council currently has no associates
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group

In accordance with this requirement, the Council has determined its Group Relationships as follows:

Name of Company	Type	Status
Peterborough Ltd	Subsidiary	Consolidated
Blue Sky Peterborough Limited	Subsidiary	Dormant
Opportunity Peterborough Limited	Subsidiary	Not material
Peterborough Investment Partnership LLP	Joint Venture	Not material
Medesham Homes LLP	Joint Venture	Not material
Medesham Limited	Joint Venture	Not material
NPS Peterborough Limited	Joint Venture	Not material
Empower Peterborough Community Interest Company	Joint Venture	Not material
Peterborough Museum & Art Gallery	Sole Trustee	Not material

Details of the the bodies which have not been consolidated into the Group Accounts are contained in Note 13 Interest in Companies and Note 12 Related Parties.

Peterborough Ltd – Trading as Aragon Direct Services (ADS)

The Company is a wholly owned subsidiary of the Council which was incorporated on 31 July 2018. It is a company limited by shares and the share capital, held by the Council, is £1. Peterborough Ltd has been set up as a Teckal company which means that a minimum of 80% of its income will come from the Council.

Last year was its first year of full operation and it concentrated on providing a smooth transition of operational services, from the previous provider Amey, and on building a solid foundation for future growth.

Within ADS there are currently seven business units within its operations division:

- Recycling and waste - ADS carry out kerbside and communal collections for residual waste, recycling, food waste and garden waste. These are currently collected on alternate weekly collection system, residual waste one week and mixed recyclables the following week with a weekly food waste collection across most of the Council's area. Separately residents can opt into a paid for garden waste collection service, collected the same week as the recycling bin.
- Parks, trees and open spaces - ADS carry out landscaping and grounds maintenance including grass cutting, shrub and planted bed maintenance, hanging baskets, cleaning of litter from planted areas, tree maintenance and planting. This service area covers general grassed areas, sports pitches, as well as formal parks. They also carry out play inspection, maintenance and installation

as well as specialist arboriculture services including inspection and works delivery.

- Street Cleaning - ADS carry out cleansing on public land and highways including removal of litter and detritus through manual and mechanical means, litter bin emptying, graffiti removal, street washing and fly tipping removal.
- Property and Professional Services - ADS have a multi-skilled team, who provide a range of services, including reactive and planned maintenance with robust programmes to deliver and capture statutory and routine premises checks, as well as design and construction works. This includes repair and upkeep of electrical, heating, air conditioning, gas, fire and intruder alarms as well as structural repairs and maintenance. The service also provides for the development and delivery of building extensions and new build for the Council across its services.
- Passenger Transport - ADS provide provision of buses and drivers for home to school transport, including Special Educational Needs (SEN) with additional staff to cater for service users specific needs.
- Building Cleansing - ADS provide building cleaning to council properties as well as various commercial locations.
- Fleet Maintenance - ADS maintain a fleet of 138 vehicles, including preventative maintenance inspection regime, reactive repairs and compliance and fleet planning.

Over the next three years ADS will focus on three main areas to move the business forward:

- Expanding its business
- Challenging the status quo and thinking differently
- Building strong foundations;

and together with proactive sales to third parties Peterborough Ltd has planned to move to profitability by the end of 2020/21.

The summary results of Peterborough Ltd to the year ended 31 March 2020 are shown in the table below.

2018/19 £000	Peterborough Limited	2019/20 £000
	<i>Statement of Financial Position</i>	
1,135	Current Assets	2,877
-	Non-Current Assets	-
(312)	Current Liabilities	(1,599)
(940)	Non-Current Liabilities	(1,750)
<u>(117)</u>	Net assets for the accounting period	(472)
	<i>Statement of Comprehensive Loss</i>	
112	Revenue	14,349
<u>(117)</u>	Loss Before Tax	<u>(355)</u>
<u>(117)</u>	Loss After Tax	<u>(355)</u>

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Group Comprehensive Income and Expenditure Statement (CIES)

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

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

2018/19			2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Comprehensive Income & Expenditure Statement (CIES)						
873	(76)	797	Business Improvement	1,168	(15)	1,153
2,170	(672)	1,498	Chief Executives	2,590	(823)	1,767
7,631	(907)	6,724	Customer & Digital Services	8,711	(901)	7,810
5,681	(1,122)	4,559	Governance	6,816	(2,103)	4,713
309,667	(204,199)	105,468	People & Communities	285,401	(184,203)	101,198
56,681	(13,371)	43,310	Place & Economy	43,516	(15,306)	28,210
11,083	(11,110)	(27)	Public Health	11,289	(11,000)	289
90,787	(66,987)	23,800	Resources	84,317	(58,650)	25,667
29	(20)	9	Peterborough Limited	13,424	(1,593)	11,831
484,602	(298,464)	186,138	Cost of Services	457,232	(274,594)	182,638
12,900	(9,661)	3,239	Other Operating Income & Expenditure	8,750	(1,991)	6,759
104,590	(7,727)	96,863	Financing & Investment Income & Expenditure	36,361	(6,120)	30,241
2,642	(166,143)	(163,501)	Taxation & Non-Specific Grant Income & Expenditure	2,828	(178,801)	(175,973)
604,734	(481,995)	122,739	(Surplus) / Deficit on Provision of Services	505,171	(461,506)	43,665
		(5,571)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(23,648)
		46,056	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(126,988)
		40,485	Other Comprehensive Income & Expenditure			(150,636)
		163,224	Total Comprehensive Income & Expenditure			(106,971)

Group Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the whole Group, 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.

Movement in Reserves during 2018/19 and 2019/20	Council's Usable Reserves	Subsidiary Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Balance at 1 April 2018</i>	(47,674)	-	(47,674)	137,469	-	137,469	89,795
<i>Movement in Reserves during 2018/19</i>							
<i>Total Comprehensive Income & Expenditure</i>	122,622	117	122,739	40,485	-	40,485	163,224
<i>Adjustments between Group accounts and Council accounts*</i>	108	(108)	-	-	-	-	-
<i>Net Increase / Decrease before Transfers</i>	122,730	9	122,739	40,485	-	40,485	163,224
<i>Adjustments between accounting basis & funding basis under regulations</i>	(124,312)	-	(124,312)	124,312	-	124,312	-
<i>(Increase) /Decrease in 2018/19</i>	(1,582)	9	(1,573)	164,797	-	164,797	163,224
<i>Balance at 31 March 2019</i>	(49,256)	9	(49,247)	302,266	-	302,266	253,019
Balance at 1 April 2019							
Total Comprehensive Income & Expenditure	43,310	355	43,665	(150,636)	-	(150,636)	(106,971)
Adjustments between Group accounts and Council accounts*	(11,522)	11,522	-	-	-	-	-
<i>Net Increase before Transfers</i>	31,788	11,877	43,665	(150,636)	-	(150,636)	(106,971)
Adjustments between accounting basis & funding basis under regulations	(30,639)	-	(30,639)	30,639	-	30,639	-
(Increase) / Decrease in 2019/20	1,149	11,877	13,026	(119,997)	-	(119,997)	(106,971)
Balance at 31 March 2020	(48,107)	11,886	(36,221)	182,269	-	182,269	146,048

*These adjustments remove income and expenditure between the Council and Peterborough Limited

Group Balance Sheet

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

- The first category of reserve are usable reserves, ie those reserves that the Group 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 Group 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, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000	Balance Sheet	Notes	31 March 2020 £000
548,941	Property, Plant & Equipment		571,042
25,676	Investment Property		23,135
9,144	Intangible Assets		8,405
432	Long term Debtors		757
584,193	Long Term Assets		603,339
17	Short Term Investments		3
464	Inventories	1	683
76,789	Short Term Debtors	2	83,936
16,015	Cash & Cash Equivalents	5	11,730
128	Current Intangible Asset		-
1,217	Assets Held for Sale		2,015
94,630	Current Assets		98,367
(69,062)	Short Term Borrowing		(106,457)
(63,779)	Short Term Creditors	0	(70,246)
(9,088)	Provisions		(10,174)
(141,929)	Current Liabilities		(186,877)
(332,035)	Long Term Creditors (Pension Liability)		(221,489)
(175)	Provisions		(356)
(392,087)	Long Term Borrowing		(374,587)
(45,720)	Other Long Term Liabilities		(44,807)
(19,896)	Capital Grants Receipts in Advance		(19,638)
(789,913)	Long Term Liabilities		(660,877)
(253,019)	Net (Liabilities) / Assets		(146,048)
(49,247)	Usable Reserves		(36,221)
302,266	Unusable Reserves		182,269
253,019	Total Reserves		146,048

Peter Carpenter – Acting Director of Corporate Resources

July 2020

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group'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 Group.

2018/19 £000	Cash Flow Statement	Notes	2019/20 £000
122,739	Net (Surplus) / Deficit on the Provision of Services		43,665
(85,444)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(74,438)
(60,782)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(4,275)
(23,487)	Net Cash Flows from Operating Activities		(35,048)
55,368	Investing Activities	4	59,726
(39,140)	Financing Activities		(20,393)
(7,259)	Net (Increase) / Decrease in Cash & Cash Equivalents		4,285
8,756	Cash & Cash Equivalents at the Beginning of the Reporting Period		16,015
7,259	Increase / (Decrease) in Cash and Cash Equivalents		(4,285)
16,015	Cash & Cash Equivalents at the end of the Reporting Period	5	11,730

Notes to the Accounts

1 Inventories

The value of current assets that consist of raw materials, work in progress and unsold finished goods at the year-end are as follows.

31 March 2019	Inventories	31 March 2020
£000		£000
374	Westcombe Industries Stock	397
8	Peterborough Limited Stock	222
82	Other Stock Balances	64
464	Total	683

2 Debtors

Amounts owed to the Group but not yet received at the year-end are as follows.

31 March 2019	Debtors (Each item is net of impairment)	31 March 2020
£000		£000
12,952	Cambridgeshire & Peterborough CCG	9,228
673	Cambridgeshire & Peterborough Combined Authority	2,674
1,673	Capital Funding Contributions	1,284
3,544	Central Government Departments	5,719
8,047	Council Tax Arrears	9,127
1,630	Cross Keys Homes	1,477
2,138	Housing Benefit Overpayments	1,247
2,080	NDR Arrears	1,609
526	Other NHS Organisations	1,594
6,186	Payments in Advance	7,956
1,269	Commercial Property Rent Arrears	2,108
289	Peterborough Limited Debtors	899
12,736	General Debtors	15,968
53,743		60,890
23,046	Outstanding Balances on Loans Granted ECS Peterborough 1 LLP (Notes 13,	23,046
76,789	Total Debtors	83,936

3 Creditors

Amounts owed by the Group for goods and services received prior to the year-end are as follows.

31 March 2019	Creditors	31 March 2020
£000		£000
(1,062)	Council Tax Overpaid	(1,857)
(1,005)	Council Tax Prepaid	(1,401)
(2,610)	NDR Overpaid	(2,470)
(1,159)	NDR Prepaid	(635)
(6,981)	NDR Preceptors	(8,176)
(8,769)	Deposits / Receipts in Advance	(13,395)
(2,372)	Accrual Accumulated Absences	(2,916)
(1,216)	Short Term Finance Lease Liabilities	(1,260)
(113)	Peterborough Limited Creditors	(1,546)
(38,492)	General Creditors	(36,590)
(63,779)	Total Creditors	(70,246)

4 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2018/19	Cash Flow Statement – Investing Activities	2019/20
£000		£000
59,739	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	41,617
20,292	Other Payments for Investing Activities	18,946
(17,458)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(822)
(7,205)	Proceeds from Short and Long Term Investments	(15)
55,368	Net cash flows from investing activities	59,726

5 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.

2018/19	Cash Flow Statement – Cash and Cash Equivalents	2019/20
£000		£000
15,000	Short Term Cash Investments	9,700
44	Petty Cash & Imprest	38
971	Bank Current Accounts	1,992
16,015	Total Cash & Cash Equivalents	11,730

Accounting Policies

The accounting policies of the Group are the same as those applied to the Council's single entity accounts.

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 – 2019/20



Annual Governance Statement

The Annual Governance Statement is being discussed and approved by this Audit Committee on 13 July 2020. The Statement will be included in the final published Statement of Accounts.

Certification

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

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

Signed:

Gillian Beasley, Chief Executive

Date:

DD MMM 2020

Signed:

Councillor John Holdich, Leader of the Council

Date:

DD MMM 2020

AUDIT COMMITTEE	AGENDA ITEM No. 5
13 JULY 2020	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Corporate Director of Resources Fiona McMillan, Director of Law & Governance	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director of Resources	Tel. 452520

ANNUAL GOVERNANCE STATEMENT 2019 / 2020
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R E C O M M E N D A T I O N S	
FROM: Joint report from Director of Law & Governance and Acting Corporate Director of Resources	Deadline date: <i>n/a</i>
<p>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, i.e. its governance, by the Council 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:

- 2.2.1.16: To oversee the production of the authority's Annual Governance Statement and to recommend its adoption; and

- 2.2.1.17: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

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 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 2019 / 2020 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.

4.4 **ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT (AGS)**

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.

4.5 **SUPPORTING EVIDENCE**

Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the 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.

4.6 Internal Audit: Annual Internal Audit Opinion 2019 / 2020

The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention are:

- Cyber Security
- Budgetary arrangements
- Covid-19 action

There are action plans in place to address the issues identified. Subject to these being completed appropriately, the Annual Audit Opinion 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 which is in full compliance with the Public Sector Internal Audit Standards.

4.7 External Audit

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 the Audit Committee on 16 September 2019. Overall the letter is positive in nature with respect to performance of the Council. However, it notes a significant risk with regard to the budget gaps identified in the Medium Term Financial Strategy with a requirement to develop a sustainable budget with less reliance on one-off 'saving' measures by identifying repeatable savings. The key messages are:

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 2019 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 EY's 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 4 July 2019 and updated on 31 July 2019.
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 and referred to Audit Committee within the municipal year

In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2018 / 2019 Financial Accounts and confirms an effective system of internal control.

4.8 Risk Management

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 on 16 September 2019).

4.9 Corporate Governance

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 the Audit Committee.

During the year enhanced governance was implemented to strengthen the overall control mechanism and the production of the 2020/21 budget. This included:

- The setting up of a weekly Rapid Implementation Team (RIT) under the Director of Business Improvement and Development to monitor progress on savings proposals and their implementation
- A weekly meeting of the Financial Improvement Programme Team (senior management) to monitoring progress on the 2019/20 financial outturn position and the delivery of the 2021/21 budget.

With the ongoing changes across the organisation, there is a pressing need to ensure that corporate governance responsibilities are communicated to all. Following analysis and verification, the AGS (Appendix A) reflects the key issues of the Council.

5. **CONSULTATION**

- 5.1 A key message from 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 review the AGS was agreed with the Acting Director of Corporate Resources. The AGS has then been included within the published draft Statement of Accounts. The AGS was circulated to Corporate Management Team for comment, challenge and update on 30 June 2020.

6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 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.

7. **REASON FOR THE RECOMMENDATION**

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

8. **ALTERNATIVE OPTIONS CONSIDERED**

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

9. **IMPLICATIONS**

Financial Implications

- 9.1 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.

Legal Implications

- 9.2 In accordance with the Accounts and Audit Regulations 2015, the Annual Governance Statement should be approved by members of the Council meeting as a whole, or by a committee, at the same time as the statement of accounts is approved.

Equalities Implications

- 9.3 This report contains no specific equalities implications.

10. BACKGROUND DOCUMENTS

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

- 10.1
- Delivering Good Governance in Local Government (CIPFA / SOLACE)
 - Accounts and Audit (England) Regulations 2015
 - Directors: Internal Control and Governance Self-Assessment templates

11. APPENDICES

- 11.1 Appendix A: Annual Governance Statement

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Annual Governance Statement – 2019/2020



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 the 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 2020/21 / 2021/22 to address these issues will be reported regularly to the 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 2020 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. An updated Corporate Strategy 2019-2022 was endorsed by Cabinet in February 2019 for consultation and final approval in July 2019. 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 Council's 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

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer Codes of conduct, the operation of the constitution and the Member Officer protocol. In its first two years of operation it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- 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 governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure.
- Confidential concerns can be raised through the Council's Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raised 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, governed by the Member Officer Protocol in the council's constitution, 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 Corporate Director of 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 in line with the Public Sector Internal Audit Standards. In 2018/19 the service was externally reviewed externally to ensure it demonstrated compliance with the 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 Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives (An updated Corporate Strategy was published in February 2019 for consultation and approval in July 2019).
- Council meetings are open to every citizen, are sound recorded and made available online, for example on Facebook.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, works in relation to the Business Improvement District.
- The Council is 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 final budget (Tranche 3) took place at Full Council on 4 March 2020. The Council Tax increase for the year was 3.99%, the maximum allowed by regulations (1.99% General Increase and 2.00% Adult Social Care). Tranches 1 and 2 of the budget were considered by Council in December 2019 and February 2020 respectively.

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 is monitored through the Risk Management Board to ensure consistent treatment and action across all Directorates.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.

- In July 2019, the Council agreed there was a Climate Emergency and reports now have to contain, where relevant, a carbon Impact Assessment.
- 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 2020 / 2021 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings and key decisions 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 at all levels.
- 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 the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee. The Committee has the opportunity to call officers to account for weaknesses identified and how actions are being mitigated to address these weaknesses.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- The Cabinet Shareholder Committee provides oversight and scrutiny of entities the Council has an interest in, for example Peterborough Ltd.

- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery. Key officers involved in joint working are required to complete s113 agreements.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

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 2019 / 2020, 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 2019 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2018/19 closure process were of high quality.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. **Tables 1–3** below sets out the governance issues which were previously reported 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
17.04	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.	Ongoing monitoring of standards and attainment are monitored through the Children and Education Scrutiny Committee.
17.11	SCHOOL STATUTORY TESTING Lead: Corporate Director, Resources	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. 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.	Testing arrangements are now under the remit of Peterborough Limited and regular monitoring is in place through oversight of all property matters through coordination by the Property Manager.

Table 2: 2017 / 2018 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
18.01	<p>FINANCIAL MANAGEMENT</p> <p>Lead: Acting Director of Corporate Resources</p>	<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>Ongoing monitoring is in place to ensure that early indicators pick up on any budget pressures so that action can be taken, where applicable, to address this or look for alternative areas which could be used to reduce the deficit.</p> <p>Financial restrictions were put in place to curtail expenditure except in essential areas in July 2019 to bring budgets under control. This included a review of consultancy and agency spending on a weekly basis and all expenditure over £10,000 requiring a business case and then the approval of the S151 Officer.</p> <p>2019/20 budgets were re-baselined in September 2019 to ensure all stakeholders understood the makeup of the Councils Structural budget deficit and in the second half of the year addressed these issues.</p> <p>As part of the 2020/21 MTFS process, a financial improvement programme was introduced and implemented. This included the setting up of a Rapid Implementation Team (RIT) under the leadership of the Director of Business Improvement and Development to monitor the development and implementation of 2021/21 savings initiatives and a Financial Improvement Program Team (FIP) under the leadership of the Chief Executive to monitor 2019/20 savings and progress on the 2020/21 budget.</p> <p>A review of progress, including the detail listed above, will form a report to Audit Committee in July 2020.</p>
18.04	<p>CORPORATE FRAUD</p> <p>Lead: Chief Internal Auditor</p>	<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>Awareness training remains outstanding. A new national "Fighting Fraud and Corruption Locally" strategy for the 2020s was released in March 2020 and will form the basis of developing E-learning material to be rolled out during the year across the organisation.</p>

18.08	EQUALITY AND DIVERSITY Lead: Director of Law and Governance	While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date. The policy was approved by the Employment Committee January 2011. Last revision of the policy was February 2017	2017 Equality and Diversity Policy was reviewed in May 2018 and no changes were required at that point. In the budget process, all proposals that have an equalities impact have an Equalities Impact Assessment carried out and published for the consultation process.
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Table 3: 2018 / 2019 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
19.01	BUDGET RESILIENCE Lead: Acting Director of Corporate Resources	As per the 2019/20 MTFS, the council has an ongoing budget deficit of circa £20m which needs to be delivered for the council to achieve a sustainable ongoing budget. Over the past 2 years this gap has been closed by the use of one off resources which is not a sustainable strategy. In order for the council not to move into financial difficulties, savings and efficiency proposals must be agreed in time for full delivery in 2020/21. <u>Proposal:</u> Savings, efficiency and commercial proposals to balance the 2020/21 budget need to be in place and agreed in Tranche 1 of the 2020/21 budget process to ensure delivery (as set out in the 2019/20 Stewardship Statement). To ensure this is delivered a concentrated budget option process will be followed during the summer of 2019 to ensure Members have options that can be scrutinised and agreed to deliver a balanced budget in 2020/21 and moves the Council to sustainability in the medium term	Tranche 1 and Tranche 2 proposals were referred through Cabinet and wider consultation allowing for a balanced budget being approved in March 2020, Ongoing delivery of savings will be monitored throughout the year. The Council engaged with external consultants as part of the budget process during the year to validate its approach and also identify best practice from other Local Government providers for implementation as part of the 2020/21 MTFS. The final budget still had a number of One-off savings in Tranche 2 but the underlying deficit figure for 2021/22 of £14.5m was £10m less than in previous years for year 2 of the MTFS. The 2020/21 budget was also supported by a Capitalisation Direction from the Department of Housing, Communities and Local Government. This will allow the council the time and resources to move to a sustainable position in 2020/21 and ongoing budgets.
19.02	PARTNERSHIPS AND PROCURMENT ARRANGEMENTS	A full review is required to ensure that contractual arrangements entered into by the council are to the benefit of the council and sustainable and follow all local	A Procurement Board was set up in early 2020 but only met once due to the COVID-19 Emergency. Procurement, finance and Legal Services across both PCC and CCC have worked together to produce updated

Table 3: 2018 / 2019 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
	Lead: Acting Director of Corporate Resources	<p>and national legislation and best practice. Examples where this has been identified include:</p> <ul style="list-style-type: none"> • Issues that have been identified with the formation of the 2014 IT Strategy and the delivery of this strategy, especially around work linked to the Digital Front Door. From the work it has been identified Procurement rules were not followed/complied with. • Extension of the Empower loan. • That in the past, gifts and hospitality in relation to interactions with contractors have not been added to the gifts and hospitality register in a timely manner. <p><u>Proposal:</u> Review contract rules/compliance and setting up of cross council officer group to ensure compliance to Council and national rules, regulations and best practice for procurement and commissioning.</p> <p>Linkage of the project management and contracting processes to the monthly monitoring process to the Council to ensure best practice is followed and the Council deliver value for money from its contracts.</p> <p>Overview of Council companies via the Shareholders Committee to ensure companies are delivering to Council objectives.</p> <p>In September 2018, an internal audit review of Gifts and Hospitality was undertaken and gave a 'Reasonable Assurance' opinion. A review is being undertaken of the Officer Code of Conduct including Gifts and Hospitality – a confidential report is going to Constitution and Ethics Committee in July 2019 which will then need to go to the JNC and Employment Committee as it forms part of the terms of employment.</p>	<p>procurement processes due to COVID-19 which were launched in late April 2020.</p> <p>The Shareholder Committee started to meet in 2019/20 and almost fulfilled a full review of the Council's companies before meetings were suspended due to COVID-19.</p> <p>All expenditure over £10,000 after July 2019 required a business case and approval given the Council's financial position. This linked contract work to budgets and then through to monitoring and also included agency and consultancy expenditure.</p>

Table 3: 2018 / 2019 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
		<p>This will ensure: Correct contract specification and market warming</p> <ul style="list-style-type: none"> • Minimisation of cost - to fit with Council's financial remit • Correct solutions for the Council's service strategies 	
19.03	<p>BUDGET MONITORING</p> <p>Lead: Acting Director of Corporate Resources</p>	<p>Financial monitoring goes to every CMT and every Cabinet. It does not contain any performance information. For correct decision making both finance and performance must be included in the same report at the correct level of detail.</p> <p><u>Proposal</u> That in 2019/20, monitoring will include both a financial and performance aspect. The initial performance data will be based on the data that is submitted to the GPC Committee at CCC - so both Councils are aligned for those services.</p> <p>Indicators will need to be designed for those services specific for PCC.</p>	<p>Although we did not see the direct linkage between finance and performance data in Committee Reports work has progressed in this area via the financial improvement programme which has included:</p> <ul style="list-style-type: none"> • A weekly review of agency spending and requirements at an individual level • A lockdown on the issue and renewal of Business Support and Transformation resource through the Serco and other contracts to ensure it was necessary and used for delivery of core Council requirements; • As part of the 2020/21 MTFS, the analysis of approved and potential savings and cost avoidance options included comparative data relating to other Councils and providers. • Reporting through to the RIT and FIP as appropriate. <p>The controls in place now link contracts and establishment control to spending levels</p> <p>This now needs to move forward with performance and finance at the appropriate level be joined together in overall performance reports.</p>
19.04	<p>HEALTH AND SAFETY</p> <p>Lead: Director of Place and Economy</p>	<p>There has been significant changes to how the Council works following the move to Sand Martin House and the rise in Agile working.</p> <p>There have been three audits that have been undertaken in 2018/19:</p> <ul style="list-style-type: none"> • A H&S Health Check undertaken by 4OC • A Fire Safety audit undertaken by 4OC 	<p>Significant progress has been made in improving compliance with H & S policies and embedding them across the Council.</p> <p>New policies have been established. Appropriate risk assessments are in place for all buildings and compliance checks have been performed to verify standards are met and being maintained</p>

Table 3: 2018 / 2019 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
		<ul style="list-style-type: none"> An Internal Audit review of Health & Safety <p>There is a requirement for the delivery of the outputs from these audits to ensure the council's Health and Safety arrangements fully reflect the new working arrangements that Council now work within.</p> <p><u>Proposal:</u> Work has been taking place to move forward the recommendations from the three audits along the following themes:</p> <ul style="list-style-type: none"> Principal Responsible Person responsibilities Health & Safety policy updates (including KPI's and reporting policy). Fire Strategy Estate compliance (of all issues) Training and compliance Auditing and risk assessment <p>These will be reviewed via the re-constituted Health and Safety Board</p>	
19.05	BUSINESS CONTINUITY Lead: Acting Director of Corporate Resources	<p>To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.</p> <p><u>Proposal:</u> Review all departmental Business Continuity delivery plans in Q1 and Q4 of 2019/20 to ensure the points raised in 18.6 above has been delivered.</p> <p>Conduct a yearly full business continuity test during 2019/20.</p>	This has actively been used to coordinate responses in relation to Covid-19. Regular reviews are undertaken to ensure that remains valid

Table 3: 2018 / 2019 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
19.06	<p>CYBER SECURITY:</p> <p>Lead: Acting Director of Corporate Resources</p>	<p>To ensure that the work undertaken in 2018/19 is updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.</p> <p><u>Proposal:</u></p> <p>Review to ensure all Members and Officers have undertaken training</p> <p>The council will seek to achieve Cyber Essentials accreditation in 2020/2021</p> <p>Review to ensure all council data is in a format that is "Safe"</p>	<p>Regular reviews undertaken across the estate to ensure are now compliant. Security standard checklist has been utilised by both CCC / PCC to benchmark arrangements and used to develop and implement actions to address,</p> <p>An external email warning banner has been introduced to help officers identify any external phishing threats</p> <p>Regular updates are issued to all users on potential and actual threats.</p> <p>Multi Factor Authentication is place which has prevented a number of phishing attempts.</p> <p>Members have all received training. There will be a refresher training module and new training modules on cyber security for both officers and Members.</p>

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 2019 / 2020. These are documented in **Table 4** below:

Table 4: 2019 / 2020 SIGNIFICANT ISSUES			
Ref	Area of Assurance	Gap	Proposal
20.01	BALANCED BUDGET	<p>The Council has set a balanced budget for 2020/21. This is based on a number of transformation projects being delivered. This includes:</p> <ul style="list-style-type: none"> • HR business model • Improved financial control • Finance Business Partner model • Increase in automation • Increase in shared services • Reduction in staffing levels <p>While the various projects are managed there is the risk that if not implemented on time that savings will not be achieved.</p> <p>In worst case scenario this could lead to the need to issue a s114 letter.</p>	<ul style="list-style-type: none"> • Conduct a set of reviews during spring of 2020 in order for the Council to come as close as possible in the July 2020 Council meeting to approving and implementing the 2021/22 budget as per the Robustness Statement in the 2020/21 MTFS. • Put in place monthly monitoring process that ensures that all 2020/21 and future years savings proposals are ragged against delivery and ensure these are reported to Joint Management Team and then Cabinet. • Set out mitigation steps where delivery cannot be met. • Link overall Council Viability to item 20.02 and 20.03.
20.02	COVID-19	<p>Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Peterborough and the surround as part of its reaction to tackle Covid-19.</p> <p>Linked to 20.01 above, there is a risk that costs incurred outweigh the levels of funds received from Central Government.</p> <p>Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council / users etc.</p>	<ul style="list-style-type: none"> • Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual • Ensure processes are in place to estimate, document and then report on COVID-19 expenditure items. • Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements • Set up formal reporting structures to Joint Management Team, Cabinet Government and the LGA to set out the Council position. • Set up a lobbying strategy to ensure best results for the Council • Have a robust recovery plan to ensure that moves back to “normality” have been properly evaluated to minimise cost/lake

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			advantage of changes to service delivery to deliver a revised product to the public.
20.03	COUNCIL STRUCTURE	Linked to 20.01 and 20.02 the current situation has identified that the Council can operate (albeit is it effective) outside of its main hub. There is a need to review the current arrangements to ensure that they meet future needs / pressures.	<ul style="list-style-type: none"> • Review all services presently halted for critical assessment of if they continue in the future – Opportunity. • Evaluate with Government potential length of the COVID-19 emergency and what “business as usual” will mean at the other end. • Have in place recovery and re-implementation strategies for key services.
20.04	LEVELS OF DEBT	Given the Country is now heading into a possible recession, and the fact that the Council is very reliant on external income, how will it ensure debt levels do not spiral out of control	<ul style="list-style-type: none"> • Ensure that key debtors are communicated with regularly (at least monthly) • Ensure enhanced debt monitoring is in place for COVID-19 period
20.05	LOSS OF KEY STAFF	COVID-19 will be a severe test on Council resources. The Council needs to ensure it retains key staff	<ul style="list-style-type: none"> • Ensure that processes are fully documented • Ensure that appropriate succession planning arrangements have been identified • Identify activities which are overly reliant on one individual

Summary

The Council has in place strong governance arrangements which we are confident will 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 2020

Gillian Beasley, Chief Executive

Date:

Signed:

To be signed by 31 July 2020

Councillor John Holdich, Leader of the Council

Date:

AUDIT COMMITTEE	AGENDA ITEM No. 6
13 JULY 2020	PUBLIC REPORT

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

COUNTER FRAUD POLICIES

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
It is recommended that Audit Committee:	
1. Note contents of this report and approve the updated Counter Fraud Policies	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of investigations.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that the resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out the Councils approach to tackling fraud and corruption.
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.15 *“To monitor Council policies on “raising concerns at work” and the anti-fraud and anti-corruption strategy and the Councils complaints process”.*

3. TIMESCALES

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

4.1 INTRODUCTION

- 4.1.1 The Accounts and Audit Regulations 2015 state that the Council must have measures in place “*to enable the prevention and detection of inaccuracies and fraud*”. Fraud also refers to cases of bribery and corruption.
- 4.1.2 The Councils Financial Regulations Section 4.4 “*Preventing Fraud and Corruption*” set out its position. It requires the Acting Corporate Director of Resources to lead on the development of anti-fraud policies, with all Directors responsible for reporting and operating in accordance with those policies.
- 4.1.3 The Council’s approach to tackling fraud and corruption is underpinned by a range of policies and procedures which set out ways in which concerns can be raised, investigated and reported and appropriate action taken. This report provides members with the following refreshed policies for approval:
- € Anti-Money Laundering Policy;
 - € Sanction and Prosecution Policy (Council Tax and Business Rates); and
 - € Sanction and Prosecution Policy (Blue Badge and Car Park Permits)

4.2 CORPORATE POLICIES

4.2.1 General

4.2.2 It is important that the Council has policies and procedures in place which are fit for purpose and are effective in preventing, detecting and investigating fraud where it occurs. Staff, agency workers and Members need to be made aware of, be able to understand and comply with the policies and procedures which comprise the Council’s counter fraud framework. Staff agency workers, Members and citizens must have confidence in the reporting arrangements and subsequent investigation of concerns which can be reported via the various channels available.

4.2.3 The review of the policies and procedures was identified as being a key aspect of the governance requirements for audit committees as set out by CIPFA in their publication on the Role of the Head of Internal Audit. A review of the existing policies has been undertaken and being presented to Audit Committee for approval. An Anti-Fraud and Corruption Strategy and associated Policy was approved in March 2018 at the Committee and this document remains relevant and up to date. All of the policies are presented in the appendices to this report for approval and are summarised as:

4.2.4 Anti-Money Laundering Policy (Appendix A)

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force in June 2017 and, for offences committed after 26 June 2017, replace the Money Laundering Regulations 2007.

The MLR 2017 and the Proceeds of Crime Act 2002 (‘POCA’) impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering. This policy sets out the actions officers who deal with transactions where the potential for money laundering exists. Although the Council is classed as an exempt body under the Regulations, it is considered good practice to carry out appropriate measures to minimise the risk that the Council and its employees may commit an offence under the relevant provisions of the Acts.

4.2.5 Sanction and Prosecution Policy (Council Tax and Business Rates) (Appendix B)

This Policy provides the framework for the investigation, sanctions and prosecutions in relation to Council Tax and the local Council Tax Reduction Scheme; and the Single

Persons Discount scheme. The policy has been reviewed with Civil Penalties to reflect current legislation which is set out in Regulations 11, 12 and 13 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013.

4.2.6 Sanction and Prosecution Policy (Blue Badges and Car Park Permits) (Appendix C)

This Policy provides the framework for the investigation, sanctions and prosecutions in relation to Council Tax and the local Council Tax Reduction Scheme; and the Single Persons Discount scheme. The policy has been reviewed with Civil Penalties to reflect current legislation which is set out in Regulations 11, 12 and 13 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013.

4.2.7 Future Actions

National Fraud Initiative:

- At Audit Committee in January 2020, Members were provided with an overview of national studies of the extent of fraud within local government, together with progress on the data matching exercise, National Fraud Initiative. The next exercise is due to commence in October 2020, and once details are known as to the datasets, requirements and implications for the Council, a summary will be provided to Audit Committee.

Fraud Strategy:

- The Council's strategic response in relation to fraud is based on the national strategy Fighting Fraud and Corruption Locally 2016 – 2019. A new strategy is due for release on 26 March 2020 and has been developed as a partnership between local authorities as well as other sectors. Once released, the Council will look to update its strategy to meet latest developments and will be provided to a future Audit Committee.

Whistleblowing:

- There is a separate Whistleblowing Policy which falls under the remit of the Director of Law and Governance.

5. **CONSULTATION**

- 5.1 Consultation during the drafting of the documents has been through the Director Law and Governance and Acting Corporate Director of Resources.

6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 Updated corporate policies will be conveyed to all Members and employees to raise awareness and provide best practice.

7. **REASON FOR THE RECOMMENDATION**

- 7.1 Peterborough is subject to providing services with finite resources. The revised policies provide a clear steer on how the authority will look to reduce the abuse of, and fraudulent access to those resources.

8. **ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The authority could do nothing but this would not be the best use of scarce resources. The policies provide a platform for better monitoring and detection of fraud and corruption.

9. IMPLICATIONS

Financial Implications

- 9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the existing budgets.

Legal Implications

- 9.2 There are no legal implications.

Equalities Implications

- 9.3 Not applicable

10. BACKGROUND DOCUMENTS

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

- 10.1 None.

11. APPENDICES

A: Anti-Money Laundering Policy

B: Sanction and Prosecution Policy: Council Tax

C: Sanction and Prosecution Policy: Blue Badges and Parking Permits

Anti-Money Laundering Policy



Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force in June 2017 and, for offences committed after 26 June 2017, replace the Money Laundering Regulations 2007.

The MLR 2017 and the Proceeds of Crime Act 2002 ('POCA') impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

Scope of the Policy

This Policy applies to all employees (including agency staff) of the Council and elected Members, and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.

What is Money Laundering?

Money laundering offences include:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 POCA);
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 POCA);
- Acquiring, using or possessing criminal property (section 329 POCA);
- Investing the proceeds of crime into other financial products or the acquisition of property / assets; or
- Tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice of an investigation.

Although the term "*money laundering*" is generally used to describe activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way, do nothing about it, or tip off anyone attempting to launder funds. Failure to report money laundering is an offence.

The Guidance Note gives practical examples of money laundering, to aid understanding. This Policy and Procedure sets out how any concerns should be raised. It is important that

employees in areas of money laundering risk are familiar with their legal responsibilities as criminal sanctions may be imposed for failure to comply with legislative requirements. Failure by a member of staff to comply with the procedures set out in this Policy could also lead to disciplinary action.

Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities; serious criminal sanctions may be imposed for breaches of the legislation.

Legislation

The main UK legislation covering anti-money laundering and terrorist financing is:

- Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime and Police Act 2005);
- Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001); and
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

Our Responsibilities

The main requirements of the legislation are:

- To appoint a Money Laundering Reporting Officer (MLRO);
- Maintain client identification procedures in certain circumstances;
- Implement a procedure to enable the reporting of suspicions of money laundering; and
- Maintain record keeping procedures.

Providing the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purpose of terrorism, or resulting from acts of terrorism.

Potentially very heavy penalties (unlimited fines and imprisonment of up to 14 years) can be handed down to those who are convicted of one of the offences above.

The regulations require the Council to appoint a Nominated Officer as the Money Laundering Reporting Officer: The officer nominated to:

- Receive internal suspicious transactions reports (known as disclosures) from within the Council;
- Deciding whether these should be reported to the National Crime Agency; and
- If appropriate, making such reports to the National Crime Agency, is

Fiona McMillan, Director of Law and Governance
Peterborough City Council
Email: fiona.mcmillan@peterborough.gov.uk

Not all of the Council's business is "relevant" for the purposes of the legislation. The areas of council business which are relevant include:

- Dealing in, managing and administering investments;
- Accountancy services and tax advice;
- Audit services;
- Legal services involving finance and property;
- Conveyancing work - sale of property and land. The provision of services in relation to the formation, operation or management of a company or a trust; and
- Dealing in goods of any description by way of business (including dealing as an auctioneer) wherever a transaction involves accepting a total cash payment.

A cash payment of £10,000 or more should not be accepted without seeking advice or approval from the Interim Director Law and Governance / Service Director Financial Services / Chief Internal Auditor as set out in Financial Regulations.

The safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council. The legislation applies to all staff, but awareness raising will be targeted at staff in highest risk areas.

Reporting to the Money Laundering Reporting Officer (MLRO)

Where you know or suspect that money laundering activity is taking / has taken place, or you become concerned that your involvement in a matter may amount to facilitating the acquisition, disguising, converting, possessing or retention of criminal property (a prohibited act) you must disclose this as soon as practicable to the MLRO. The disclosure should be on or before the activity. There must be good reason if it is reported afterwards.

The Disclosure Report must include as much detail as possible, for example:

- Full details of all the people involved
- Full details of your / their involvement

If you are concerned that your involvement in the transaction would amount to a prohibited act, then your report must include all relevant details, as you will need consent from the National Crime Agency (NCA), via the MLRO, to take any further part in the transaction.

You should therefore make it clear in the report whether there are any deadlines which make the matter more urgent, for example, a completion date or court deadline.

Once you have reported the matter to the MLRO you must follow any directions that may be given to you.

- Do not make any further enquiries into the matter yourself: any necessary investigation will be undertaken by National Crime Agency (NCA);
- Co-operate with MLRO and the authorities during any subsequent money laundering investigation;
- Don't voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent for the transaction to proceed. This could constitute a tipping off offence;
- Don't make any reference on a client file or record, to a report having been made to the MLRO in case of a client exercising their subject access rights. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the disclosure by the Money Laundering Reporting Officer

Upon receipt of a disclosure report, the MLRO will note the date the report is received and acknowledge receipt of it. They should also advise you of the timescale within which a response can be expected.

The MLRO will consider the report and any other available internal information that might be relevant and make other enquiries as necessary to determine whether a report to NCA is required. The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the report and any other relevant information, a timely determination must be made as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- Whether consent needs to be sought from NCA for a particular transaction to proceed.

A report must be made as soon as practicable to the NCA by the MLRO. The report may not be immediately made to NCA if there is a genuine reason not to do so. For example, legal professional privilege may apply and be a genuine reason for not disclosing the information to the NCA immediately.

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then a note must be made in the Money Laundering reporting format accordingly; consent can then immediately be given for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to NCA.

Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from NCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then the record shall be marked accordingly and consent given for any ongoing or imminent transaction(s) to proceed.

All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a secure manner for a minimum of five years.

The MLRO commits a criminal offence if they fail to report a disclosure made to them, to the NCA.

Client Identification Procedure (Due Diligence)

When dealing with financial transactions, employees must take steps to identify a citizen and check that they are who they say they are. This will mean obtaining identification documents.

Where the Council is carrying out relevant business (accountancy and financial functions, audit services and financial, company and property transactions of legal services) and:

- forms an ongoing business relationship with a client; or
- carries out an occasional transaction in excess of £10,000; or
- suspects money laundering or terrorist financing; or
- Doubts the reliability or adequacy of documents, data or information previously obtained for the purposes of identification or verification.

Then the Client Identification Procedure must be followed before any business is undertaken for that client. Please note that unlike the reporting procedure, the client identification procedure is restricted to those operating 'relevant businesses'.

Satisfactory evidence of the identity of the prospective client must be obtained as soon as practicable after instructions are received. This might involve:

- checking the company website;
- confirming the nature of the business and directors with Companies House; or
- confirming the identity of the key contact within the company

If there is any doubt about a citizen's identity then do not continue to deal with them until you are sure.

In certain circumstances enhanced citizen due diligence must be carried out for example where:

- The citizen has not been physically present for identification;
- The citizen is a politically exposed person (an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution / body, their immediate family members or close associates);
- There is a beneficial owner who is not the citizen with which you are dealing. A beneficial owner is any individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

Enhanced citizen due diligence could include any additional documentation, data or information that will confirm the citizen's identity and / or the source of the funds to be used in the business relationship/ transaction. If you believe that enhanced citizen due diligence is required then you must consult the MLRO prior to carrying it out.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

The requirement for the citizen identification procedure, or due diligence, applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing citizen due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the citizen and a regular scrutiny of the transactions involved.

Record Keeping Procedures

Each department of the Council conducting relevant business must maintain records of:

- client identification evidence obtained; and
- Details of all relevant business transactions carried out for clients for at least five years.

This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

The precise nature of the records is not prescribed by law, but must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard. All records must be kept in compliance with the Data Protection Act 1998.

Training

In support of the policy and procedure, the Council will:

- Make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation;
- Give targeted training to those most likely to encounter money laundering;
- Prepare guidance notes to assist staff in the operation of this policy;
- Make the Policy, guidance and reporting form available to officers and members on the intranet; and
- Issue regular reminders to staff on the requirements of the Anti-Money Laundering Policy adopted by the council.

Help and Advice

Should you have any concerns whatsoever regarding any transaction then you should contact the MLRO. Other contacts in Internal Audit available to discuss any suspicions are:

Steve Crabtree, Chief Internal Auditor
Email: steve.crabtree@peterborough.gov.uk

Julie Taylor, Group Auditor
Email: Julie.taylor@peterborough.gov.uk

Louise Cooke, Group Auditor
Email: louise.cooke@peterborough.gov.uk

Responsible Officer: Chief Internal Auditor
Date: February 2020

Version Control 1.03
Next Review: February 2021

Annex 1

ANTI MONEY LAUNDERING GUIDANCE**Introduction**

Money laundering legislation implemented by the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 requires the Council to establish procedures designed to prevent the use of its services for money laundering.

The law is intended to prevent money from illegal activities such as drug dealing from being 'laundered' and turned into legitimate finance. Money laundering might also be used to hide the financing of terrorism or other criminal activities.

What is Money Laundering?

Money laundering is the disguising of the source of criminal money, either in cash, paper or electronic form. This may be in order to conceal that the money has originated from crime, or it may be to conceal the source of money that is to be used in the pursuit of future crime. Money Laundering can be complex and involve several transactions.

How to make a disclosure report

Where you know or suspect that money-laundering activity is taking / has taken place it must be disclosed immediately to the Money Laundering Reporting Officer. The disclosure should be on or before the activity. There **must** be good reasons if it is reported afterwards.

If you prefer, you can first discuss your suspicions with the named officers below.

Contacts are:

- Money Laundering Reporting Officer – Fiona McMillan, Director of Law and Governance
- Pete Carpenter, Acting Corporate Director of Resources
- Steve Crabtree, Chief Internal Auditor
- Julie Taylor, Group Auditor
- Louise Cooke, Group Auditor

No discussions should take place with colleagues other than your manager as confidentiality is paramount. You will be informed if a report is to be sent to the National Crime Agency and advised on what to do next. Please see the Council's Anti-Money Laundering Policy for more information.

Any Council employee, could contravene the money laundering legislation if they become aware of, or suspect the existence of criminal 'property', and continue to be involved in the matter without reporting their concerns.

If an employee has a concern they should ask questions or seek further information to allay any suspicions they may have. Enquiries can be made of the individual to establish whether or not there is an innocent explanation before deciding whether or not to make a disclosure report. If you continue to be suspicious you should make a report to the Council's nominated officer.

The suspected money launderer must not be informed that the matter is being reported.

Once a report has been made to the Council's nominated officer or if you suspect that a report has been made, the potential offence of "Tipping Off" arises. Tipping Off is where someone may prejudice an investigation by giving information to a person suspected of money laundering.

How you might recognise money laundering and what checks you must do

Carry out appropriate checks to satisfy yourself of the company's or citizen's ID. Additional care must be taken when the person is not physically present.

Satisfy yourself as to the source of the funds and the owner of them. Ask yourself "Given my knowledge of this person, is it plausible that they can pay this amount, for this service, by this means?"

Ongoing Monitoring

Once you have verified the identity of the citizen (or company) you will still need to monitor activity throughout the relationship and obtain updated documents when necessary. Records must be kept of citizen identification and business transactions for at least 5 years after the transaction or end of the business relationship. All records must be kept in accordance with the Data Protection Act.

Examples of potential money laundering

Example 1: Any large cash transaction should alert suspicion.

- A business looks to pay its business rates with a payment in cash of £10,000 and the balance by bank transfer.
- Financial Regulations do not allow deposits of cash in excess of £10,000 to be accepted, unless approval has been given by the Service Director Financial Services. Any large cash transactions should arouse suspicion.

Example 2: An offer is made for a parcel of land, by a developer, which is far in excess of its value.

Example 3: There is an unexplained significant overpayment which the person then requests is paid back to them, or a transaction is cancelled and refund requested.

- Payments should always be paid back to the account from which they came. Look to see if there is a pattern of similar transactions.

Example 4: Liabilities are repeatedly met by payment from an unconnected 3rd party.

Other behaviour that may arouse suspicion:

- If information about the client reveals criminality or association with criminality;
- If there is more than one Solicitor / Conveyancer used in the sale or purchase of a property or land or if there is an unexplained and unusual geographic use of a solicitor in relation to a property's location;

- If the Buyer or Seller's financial profile does not fit, particularly in relation to property transactions.
- If there are over complicated or poor financial systems;
- Any odd or secretive behaviour;
- Illogical involvement of an unconnected third party;
- A large transaction split into smaller ones without apparent reason (other than perhaps to avoid identity checks)

Referral to Money Laundering Responsible Officer (MLRO1)

MONEY LAUNDERING REPORTING OFFICER DISCLOSURE FORM	
Date of Disclosure	
Officer making disclosure (including Job Title)	
Contact details	
Subject Details	
Surname	
Forename(s)	
Date of Birth	
Or if the matter refers to a Company	
Company Name	
Address	
Company Number (if known)	
Reasons for Disclosure	

Council Tax and Local Council Tax Reduction Scheme:

Sanction and Prosecution Policy



Council Tax Support Scheme

Council Tax is a tax on the occupation of a domestic property. It is a system of local taxation used to part fund the services provided by local government. The primary legislation for Council Tax is the Local Government Finance Act 1992. Operationally, the governing regulations are the Council Tax (Administration and Enforcement) Regulations 1992.

Tax payers can apply for various exemptions, discounts and reductions. They are dependent upon the circumstances of the tax payer / the people living in the household and with some being dependent upon the property. It is necessary for Local Authorities to regulate the discounts and reductions to ensure that they are only awarded under the circumstances to which they are eligible to be received.

Council Tax Support Scheme is a means tested Council Tax discount. It is intended to help people on low incomes meet their Council Tax costs. The primary legislation is the Local Government Finance Act 2012. Operationally the governing regulations are:

- For those who have reached the qualifying age for Pension Credit it is the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.
- For working age claimants, local authorities have been given the power to design their own schemes and accompanying rules.

Local Authorities need to guard against fraudulent applications for Council Tax Support to ensure that only tax payers eligible to receive support with their Council Tax liability actually receive assistance.

Single Person Discounts

Single person discounts of 25% are available where there is only one adult living within the property. Circumstance changes should be notified in the correct way to ensure correct charges can be levied.

Prosecution

The most appropriate sanction action will be applied in each case, on their merits. This can range from a Caution, to Civil Penalties, through Financial Penalties to ultimately criminal court prosecutions.

The most appropriate sanction action will be considered by reference to:

- The severity of the offence;
- The value and duration of the overpayment;
- The circumstances of the offender; and
- The public interest test (See Annex A)

Alternatives to Prosecution

Cautions

A caution is a warning (of which a written record is made), given in certain circumstances to a person who has committed an offence.

A caution can only be considered when:

- There is sufficient evidence to justify instituting criminal proceedings;
- The person has admitted the offence during an interview under caution and agrees to the caution;
- There are no previous convictions for benefit fraud; and
- There was no other person involved in the fraud

A caution can be offered if there is no loss to public funds following the presentation of a false document. For example: a false statement on an initial claim form that was identified prior to payment being made. Although there is no loss to funds, there may be an offence of making a false statement in an attempt to obtain a reduction in Council Tax liability.

However, a caution cannot be offered in cases where there is no loss to public funds following a customer's failure to declare a change of circumstances.

If the person refuses a caution, the Council's policy is to commence criminal proceedings. The court will be informed that proceedings have been brought because the person refused the offer of a Caution.

If the person is subsequently prosecuted for another benefit offence, the caution may be cited in court.

Financial Penalties

Council Tax Support came into existence on 1st April 2013 and replaced Council Tax Benefit. Council Tax Benefit was a fully subsidised scheme administered by Local Authorities on behalf of the Department for Work & Pensions. Council Tax Support is a discount awarded against the annual Council Tax liability, by Local Authorities, created by the Local Government Finance Act 2012.

Under amendments to Local Government legislation there are occasions when there is an option to consider financial / administrative penalties as an alternative to prosecution.

Section 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, introduced financial / administrative penalties as alternatives to prosecution in Council Tax Support cases. The penalty amounts to 50% of the gross overpayment

- with a minimum of £100, and
- up to a maximum of £1,000

It can be offered if the following conditions are met:

- There is a recoverable overpayment or excess award of Council Tax Support as defined by the relevant legislation;
- The cause of the overpayment is attributed to an act or omission on the part of the defendant;
- There are grounds for instituting criminal proceedings for an offence relating to the overpayment upon which the penalty is based;
- The person offered such a penalty has the ability to repay it within a reasonable timeframe and the imposition of such a penalty will not overburden them if they have existing priority debts; and

- A failure on the part of the customer to accept a Financial / Administrative Penalty will result in the case proceeding to prosecution.

Civil Penalties: Incorrect Statements

Regulation 12 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013 allows PCC to impose a penalty of £70 where an incorrect statement or representation has been made.

The £70 penalty can only be imposed where a person has not been charged with a Local Council Tax Reduction offence or been offered a Caution or Financial Penalty under Regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

Civil Penalties: Failure to notify change of circumstances

Regulation 13 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013 allows PCC to impose a penalty of £70 where without reasonable excuse; there is a failure to report a relevant change of circumstances promptly.

The £70 penalty can only be imposed where a person has not been charged with a Local Council Tax Reduction offence or been offered a Caution or Financial Penalty under Regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

Civil Penalties: Single Person Discount

Schedule 3 of the Local Government Finance Act 1992 allows Councils to impose a civil penalty of £70 in cases where a resident fails, without a reasonable excuse, to supply information (or negligently supplies incorrect information) which affects their liability or entitlement to a council tax discount or exemption. This is in addition to the recovery of the associated discount.

Publicity

The Council intends to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

Final: Version 1.06
February 2020

Annex 1

Definition of Fraud

Fraud is a wrongful or criminal deception intended to result in financial or personal gain:

- Makes a false statement;
- Produces a false document; and / or
- Fails to promptly notify of a relevant change in circumstances which the person knows will affect the discount / exemption / relief / support they are entitled to / or are in receipt of.

Most local taxation fraud offences are prosecuted under the Fraud Act 2006:

- Section 2 – fraud by false representation
- Section 3 – fraud by failing to disclose information.

Council Tax Support fraud offences can also be prosecuted under section 14(3) of the Local Government Finance Act 1992.

Culture

The Council has a Compliance Team which is part of Internal Audit within the Resources Department. The team consists of two investigating officers and is line managed by the Chief Internal Auditor.

Cases of suspected Council Tax fraud can be referred to the team by e-mail (fraud@peterborough.gov.uk) they can also be made on-line via the Council's website. They can also be made by letter. In a similar vein this can be used for reporting of any other suspected fraud. Employee investigations are also covered by the team and follow the Employees Code of Conduct and the Disciplinary Code. There is a dedicated fraud hotline **01733 452250** which can be used by either staff members or the general public. Outside office hours there is an answerphone service attached to this number.

Cases of suspected Housing Benefit fraud are now investigated by the Department for Work & Pensions. Local authorities no longer have any powers to either investigate allegations of Housing Benefit fraud or to prosecute instances of proven Housing Benefit fraud. Benefit fraud allegations can be reported on the Department for Work and Pensions National Benefit Fraud Hotline (**0800 854 440**) or via www.gov.uk/report-benefit-fraud.

Prevention, Detection and Investigation

The Team will investigate allegations of fraud to a criminal standard, i.e. evidence is collated and alleged offenders formally interviewed in accordance with the Police & Criminal Evidence Act 1984 / the Criminal Procedure and Investigations Act 1996. A case will only be deemed suitable for prosecution if it meets the requirements of the Code for Crown Prosecutors. There are two main requirements – The Evidential Test and The Public Interest Test.

Prosecution cases are passed to an in-house Litigation Lawyer. If the case is to be passed to the Police for them to investigate, the case is referred to the Director of Governance.

Evidential Test

The prosecuting authority must be satisfied that there is sufficient evidence to provide a 'realistic prospect of conviction' on each charge. Consideration should be given to what the defendant's defence may be and how it is likely to affect the prospects of conviction.

A realistic prospect of conviction is an objective test based solely upon the prosecuting authority's assessment of the evidence and any information that the authority has about the defence that the subject of the allegation may put forward. The authority must then decide whether, if properly directed in accordance with law, a jury (or magistrate) is more likely to convict than acquit a defendant of the charge(s) against them.

When deciding if there is sufficient evidence to prosecute the authority will consider:

- Can the evidence be used in court?
- Is it likely that the evidence will be excluded by the court? (For example, is it likely it may be excluded due to the way that it was obtained?)
- Is the evidence hearsay? If so, is the court likely to allow it to be represented under any of the exceptions which permit such evidence to be given in court?
- Does the evidence relate to the bad character of the suspect? If so, is the court likely to allow it to be presented?
- Is the evidence reliable?
- Does the suspect have a credible explanation for their actions?
- Is there evidence which might support or detract from the reliability of a confession? Is its reliability affected by factors such as the suspect's level of understanding?
- Is the identification of the suspect likely to be questioned?
- Are there concerns over the accuracy, reliability or credibility of any of the evidence of any witness?

Public Interest Test

When the prosecuting authority has deemed that the case has sufficient evidence to provide a realistic prospect of conviction it must then consider if it is in the 'public interest' for the legal action to progress. Every case is different and many will have mitigating aspects which will influence the authority's decision to either take legal action or refrain from instigating legal proceedings.

The public interest test requires prosecutors to consider wider factors tending for or against prosecution, for example the relative seriousness of the offence. Some common public interest factors tending against prosecution may be:

- The customer's mental or physical health would deter the authority from taking further action;
- The customer has repaid the discount / exemption in its entirety (balanced with the seriousness of the offence);
- It can be established that part or all of the original discount / exemption was awarded in error. It is established whether it is an official error at the start of an investigation – if it was official error then we would not undertake an interview under caution. If part of it was official error but part was customer fraud then consideration would be given to prosecuting the fraudulent element depending upon the amount;
- The investigation process contains unexplained long delays;
- The customer's family circumstances or adverse recent events may deter the authority from taking the person to court.

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Blue Badges, Parking Permits and Visitor Parking Permits: Sanction and Prosecution Policy



Blue Badges

Peterborough City Council provides parking concessions to people who have been issued with a Disabled Parking Badge, under the national Blue Badge scheme. Blue Badges are issued in accordance with the Department for Transport Guidance, to people with a permanent and substantial disability that impacts on their mobility.

The scheme provides a significant financial benefit when compared with paid for parking. Due to this financial benefit, Peterborough City Council does experience an element of fraud within the scheme which we will investigate. The investigation of Blue Badge misuse and fraud is a serious matter and as such, may result in the sanctioning of those persons, who have abused the Blue Badge scheme to gain a financial advantage.

By adopting and enforcing this Policy, Peterborough City Council makes the statement that it will not accept any abuse of the Blue Badge scheme. This will act as a deterrent against Blue Badge misuse and fraud. In making decisions as to whether criminal proceedings should be brought against individuals, Peterborough City Council will always consider whether there is sufficient evidence for there to be a reasonable prospect of conviction, if the matter was taken to Court and will also consider if it is in the public interest.

The Disabled Persons' Parking Badge Scheme ("the Scheme") was introduced in 1972, under Section 21 of the Chronically Sick and Disabled Persons Act 1970. The Scheme provides a national arrangement of on-street parking concessions and car parks for severely disabled people. The disabled persons Blue Badge is recognised throughout the European Union.

It is the responsibility of Peterborough City Council to ensure that only people satisfying the required criteria are issued with a Blue Badge. Individuals sign a declaration on the application form stating that the information provided is correct. In addition, individuals can automatically qualify for a Blue Badge if they have higher rate mobility for Disability Living Allowance or Personal Independence Payments and they will be required to provide a copy of the award letter as proof.

Fraud and Misuse of a Blue Badge

There are several ways that a Blue Badge can be used fraudulently or misused:

- Using a Blue Badge that has expired or is no longer valid;
- Misuse of a valid Blue Badge by a non-badge holder;
- Using a Blue Badge that has been reported as lost or stolen;
- Using a forged, copied / scanned or amended Blue Badge;
- Using a Blue Badge that is obtained through submission of false or misleading information on application; or
- Using a Blue Badge when the holder is no longer eligible as the medical condition or mobility has improved.

Where an investigation reveals that the misuse of a Blue Badge appears to have occurred due to a mistake then the badge holder will be provided with details of the correct use and other sanctions will be considered if appropriate.

Blue Badge holders have a duty to return a badge if:

- The badge expires;
- The badge holder is no longer eligible;
- It is a replacement badge for one that is lost or stolen and the original is found / recovered (in this case the original badge should be returned so that it can be officially destroyed);
- The badge is so damaged / faded that the details are not clear;
- Where the badge holder dies, it is the responsibility of the next of kin to return the badge.

Resident and Visitor Parking Permits

A resident parking permit allows residents to park their vehicles in a resident's bay in the street or zone near to where they live. However, a permit does not guarantee that a parking space will always be available. To ensure the scheme is as fair as possible permits are issued at the discretion of the Council. There may be restrictions in certain areas / streets / zones.

Visitor parking permits provide access to residential parking bays, subject to their availability. It is necessary for anybody using a visitor parking permit, to park a vehicle, to be visiting a person who resides within the restricted parking area.

Legislation

The Council may pursue criminal proceedings under the following legislation:

- Road Traffic Regulation Act 1984 section 117
- Fraud Act 2006 – Sections 1, 2, 3, 6 or 7

Prosecution

When considering the suitability of a case for prosecution, PCC will apply two tests, the evidential test and the public interest test (see above)

Circumstances where it may be deemed to be in the public interest to prosecute

The following is not an exhaustive list and each case will be judged on its own merits:

- The fraud or misuse was calculated and proven to be deliberate;
- The person has previously committed other similar fraud offences;
- There has been a breach of trust;
- The case involved collusion or conspiracy;
- The person was the ringleader or has organised or initiated the Blue Badge fraud;
- A warning letter has previously been issued to the person for previous misuse of a Blue Badge; or
- Where the person fails to attend an interview under caution we may proceed to prosecution.

Circumstances where it may be deemed not to be in the public interest to prosecute

The following is not an exhaustive list and each case will be judged on its own merits:

- The age or physical or mental health of a person is such that the additional stress incurred by a prosecution would incur an unacceptable risk;
- Where the person suffers chronic ill health, this will normally be supported by independent medical evidence, where appropriate;
- For the purposes of this policy a person's age will be considered along with the other relevant information when deciding whether to apply a sanction; or
- There has been an inexcusable time delay, which may prejudice the case.

Interviews under Caution

A person will be invited to attend an interview under caution in all cases where the evidence has been collected that suggests an offence has been committed and sanction action should be considered in line with this policy. This will allow the person to provide explanations for their actions and provide Peterborough City Council with information relevant to both the evidential and public interest tests referred to above.

If a person chooses not to attend an interview under caution or declines to answer questions regarding the alleged offence, then Peterborough City Council will decide on the evidence available the most appropriate course of action which includes referral for prosecution.

In all cases which involve employees of the Council, investigations will also follow the Councils Code of Conduct which could lead to appropriate disciplinary action.

Warning Letters

In circumstances where there is sufficient evidence, but it is not in the public interest to prosecute, Peterborough City Council will issue a warning letter. Such circumstances may include:

- Where the offence was committed by mistake; or
- Where the person committing the offence would be eligible for a blue badge in their own right if they applied

This is not an exhaustive list and each case will be judged on its own merits.

Publicity

The Council intends to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

Draft: Version 1.05

February 2020

Definition of Fraud

Fraud is a wrongful or criminal deception intended to result in financial or person gain:

- Makes a false statement;
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Culture

The Council has a Compliance Team which is part of Internal Audit within the Resources Department. The team consists of two investigating officers and is line managed by the Chief Internal Auditor.

Cases of suspected fraud can be referred to the team by e-mail (fraud@peterborough.gov.uk) they can also be made on-line via the Council's website. They can also be made by letter. In a similar vein this can be used for reporting of any other suspected fraud. Employee investigations are also covered by the team and follow the Employees Code of Conduct and the Disciplinary Policy. There is a dedicated fraud hotline **01733 452250** which can be used by either staff members or the general public. Outside office hours there is an answerphone service attached to this number.

Prevention, Detection and Investigation

The Team will investigate allegations of fraud to a criminal standard, i.e. evidence is collated and alleged offenders formally interviewed in accordance with the Police & Criminal Evidence Act 1984 / the Criminal Procedure and Investigations Act 1996. A case will only be deemed suitable for prosecution if it meets the requirements of the Code for Crown Prosecutors. There are two main requirements – The Evidential Test and The Public Interest Test.

Prosecution cases are passed to an in-house Litigation Lawyer. If it case is to be passed to the Police for them to investigate, the case is referred to the Director of Governance.

Evidential Test

The prosecuting authority must be satisfied that there is sufficient evidence to provide a 'realistic prospect of conviction' on each charge. Consideration should be given to what the defendant's defence may be and how it is likely to affect the prospects of conviction.

A realistic prospect of conviction is an objective test based solely upon the prosecuting authority's assessment of the evidence and any information that the authority has about the defence that the subject of the allegation may put forward. The authority must then decide whether, if properly directed in accordance with law, a jury (or magistrate) is more likely to convict than acquit a defendant of the charge(s) against them. When deciding if there is sufficient evidence to prosecute the authority will consider:

- Can the evidence be used in court?
- Is it likely that the evidence will be excluded by the court? (For example, is it likely it may be excluded due to the way that it was obtained?)

- Is the evidence hearsay? If so, is the court likely to allow it to be represented under any of the exceptions which permit such evidence to be given in court?
- Does the evidence relate to the bad character of the suspect? If so, is the court likely to allow it to be presented?
- Is the evidence reliable?
- Does the suspect have a credible explanation for their actions?
- Is there evidence which might support or detract from the reliability of a confession? Is its reliability affected by factors such as the suspect's level of understanding?
- Is the identification of the suspect likely to be questioned?
- Are there concerns over the accuracy, reliability or credibility of any of the evidence of any witness?

Public Interest Test

When the prosecuting authority has deemed that the case has sufficient evidence to provide a realistic prospect of conviction it must then consider if it is in the 'public interest' for the legal action to progress. Every case is different and many will have mitigating aspects which will influence the authority's decision to either take legal action or refrain from instigating legal proceedings.

The public interest test requires prosecutors to consider wider factors tending for or against prosecution, for example the relative seriousness of the offence. Each case will be considered on its own merits by common public interest factors tending against prosecution may be:

- The customer's mental or physical health would deter the authority from taking further action.
- The investigation process contains unexplained long delays.
- The customer's family circumstances or adverse recent events may deter the authority from taking the person to court.

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AUDIT COMMITTEE	AGENDA ITEM No. 7
13 JULY 2020	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 2019 / 2020

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 2020. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2019 / 2020 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 2019 / 2020.

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 2019 to March 2020 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 2019 / 2020. 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. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

- 4.3 The report highlights three key areas particularly relevant to the preparation of the Annual Governance Statement, which are:
- Cyber Security
 - Budgetary Control
 - COVID-19

Details of our opinions in these areas can be found in Appendix A.

- 4.4 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 2019).

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 2019 / 20
Internal Audit mid-year Progress Report 2019 / 20
Internal Audit Reports

11. APPENDICES

- 11.1 A – Head of Internal Audit Annual Opinion

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**ANNUAL AUDIT OPINION
2019 / 2020**



ANNUAL REPORT

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INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) states that the Chief Audit Executive must produce an annual report that can be used to inform the Annual Governance Statement, which forms part of the Council's accounts. It must include an opinion on the overall adequacy of the governance, risk and control framework; a summary of the work from which the opinion is derived and a statement on conformance with the PSIAS.

This report, the Annual Audit Opinion, fulfils these requirements.

The Chief Audit Executive (CAE) at Peterborough City Council is the Chief Internal Auditor, who reports to the Acting Director of Corporate Resources.

ARRIVING AT AN OPINION

Background

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2019 / 2020. 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 PSIAS and 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.

Risk Based Planning

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. In an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. As such, risks have been reviewed during the year and the plan has been revised accordingly. Revisions were reported and approved at our mid-year report to Audit Committee on 18 November 2019. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. Our approach gives precedence to areas assessed as high risk, however we aim to provide coverage over a wide range of activities, as listed below, to ensure our opinion is comprehensive.

- Corporate Governance, including information governance and risk management
- Partnerships and external organisations
- Programmes and projects
- Contracts and procurement
- Financial systems
- Service delivery risks
- Anti-fraud culture

The Audit Review

There are two key 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 how well the control framework has been designed to mitigate identified risk, and whether there are any gaps in control.
- 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 operating in practice. This element of the review enables internal audit to form a view on the extent of compliance with the control framework.

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 and involvement in working groups. 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.

OPINION 2019 / 2020

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 2019 / 2020 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;
- 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 2019 / 2020:

*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
July 2020

BASIS OF ANNUAL OPINION

The audit work that was completed for the year to 31 March 2020 is detailed at the end of this 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 80% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2017-18: 84% and 2018-19: 72%).

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Substantial	1	1	2	5	5	10
Reasonable	14	12	14	79	67	70
Limited	2	5	4	11	28	20
No	1	0	0	5	0	0
	18	18	20	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2017/18	2018/19	2019/20
Low	30	17	27
Medium	47	43	44
High	31	18	40
Critical	0	0	0
	108	78	111

In addition to the audits detailed in the above table, further audit work was carried out which feeds into the overall opinion, including:

- 13 grant reviews, all of which were certified
- 22 pieces of consultancy or control advice;
- 7 governance reports.

At the year-end 8 audit reviews and 1 piece of consultancy work were in progress and audit opinions relating to these will be reported during 2019-20 as part of the agreed performance reporting timetable to the Audit Committee.

Scope Limitations and Impairments

PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. Our Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the organisation's records, assets and people. This includes access to organisations where council data is processed as part of a contractual arrangement. One area where we continue to gain further clarity is access to the various external organisations and partnerships in which the Council has an interest, and this is presently being reviewed by the Acting Director of Resources and Director of Governance.

In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2019-20 that have impaired the work carried out.

Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE at Peterborough manages the Insurance and Investigations teams, conducts stage 2 corporate complaint reviews and acts as a reserve approver for payments from the Councils (and Combined Authority's until March 2020) bank accounts. Our Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. I can confirm that there have been no instances where a conflict of interests has resulted in alternative arrangements being required.

Implementation of Recommendations

Where follow-ups have been carried out 52% of agreed actions have been implemented, 22% were in progress at the time of the review, 17% alternative actions had been taken to address issues arising and 9% were either no longer relevant or not implemented. Where important recommendations have not yet been actioned, we will continue to track progress. The majority of recommendations reported here as being in progress relate to a follow up of the Mayor's Charity review and progress will continue to be monitored.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	23	34	12	69	
Implemented	0	11	18	7	36	52
Partial / In progress	0	4	8	3	15	22
Alternative actions taken	0	7	4	1	12	17
No longer relevant / not implemented	0	1	4	1	6	9

Corporate Governance

The Shareholder Cabinet Committee was introduced during the year to review and have oversight of arrangements for external and commercial bodies. Internal audit has undertaken a review of this committee during the year and it is nearing completion. Findings will be shared in accordance with our normal reporting protocols during the coming year.

A Control Self-Assessment document was issued to all Directors in March 2020. The responses received have then been used to formulate any significant issues for the Annual Governance Statement as well as issues arising from internal audit reports. The Chief Internal Auditor has produced the Annual Governance Statement this year, due to COVID-19 pressures within the business. This is contrary to recommended practice within the audit standards and is considered to be an exception due to the current climate. The final Annual Governance Statement has been discussed with the Directors concerned and agreed by the Chief Executive and the Director of Governance.

Risk Management

The Risk Management Board is chaired by the Acting Corporate Director of Resources and has representation from all directorates, along with Insurance and Internal Audit. Departmental risk registers are updated and discussed at each meeting (bi-monthly) and recorded on VERTO, our project management system. Issues that are assessed with a high level of risk are escalated to the Strategic Risk Register, and reported to Audit Committee. The Project Management Office had the responsibility of collating and reporting the information, which is discussed at Corporate Management Team meetings until December 2019 when the team disbanded. Since this time the responsibility for reporting information has been delegated to the directorate leads. Internal audit will review the effectiveness of this over the coming months. Developments this year include the continued review of shared risks with Cambridge County, for example on Brexit issues and latterly COVID-19. Internal Audit lead on Fraud Risks and have been supporting the business on the development of the COVID-19 risk register. This is monitored and updated on a regular basis as risks emerge during the pandemic.

Information Governance

Internal Audit have been involved in a variety of initiatives and work streams in this area. We conducted a follow-up audit of Information Governance, attended the Information Management Strategic Board meetings; and have kept a watching brief on cyber security developments.

A review of IT asset management has been conducted during the year. Findings indicate that greater emphasis is required for an overarching register or inventory of IT assets to be maintained by Serco, along with stock control. With the increased working agility requirements of staff more recently due to COVID-19, there is an increased risk that an asset may have changed location so further work will be undertaken to monitor this position.

As from April 2019 the Resilience Teams from Peterborough and Cambridge became a shared service within the Corporate and Customer Services Directorate and there is a dedicated Business Continuity officer. Business Continuity arrangements have been reviewed during the year and the report is presently in draft. Findings have highlighted that the focus has been to ensure that internally, services have business continuity plans in place and the Business Continuity Policy has been reviewed to incorporate current practices. Business continuity will continue to be reviewed in 2020/21 as a follow up review to incorporate COVID-19 risks and their implications.

The **Information Governance** teams at Peterborough and Cambridge now operate as a shared service. Our further follow-up review has showed that 11 of the 17 recommendations have been implemented, 4 alternative actions have been introduced as a result of the new working arrangements, with the remaining 2 being progressed.

Financial Governance

The Council continues to face a difficult budget position due to increasing demands for services and reductions in government grants. As a high risk area, we included a review of budgetary control in our plan. The focus of our audit was the processes in place to identify, validate and track savings proposals, and in principle these are good. Those processes can only be effective, however, when there is a common understanding and application of the process, along with

increased ownership and accountability, across the Council. The organisation is working towards greater financial controls being passed to budget managers and work has been ongoing during the year to establish ways of introducing this. With the impact of COVID-19 on the councils resources, further work will be undertaken in 2020/21 to look at this area again.

An audit of shared services is presently underway to review the cross authority charging arrangements for PCC and CCC, along with some shared services for Fenland DC. This also includes governance arrangements to ensure that S113 agreements are in place and that appropriate financial delegations are in place for the business.

Other areas of work where Internal Audit were involved include a review of our Energy Management and Procurement Card Systems. Further details of the review findings are detailed in the executive summaries in Appendix B to this report.

Partnerships and External Organisations

We have completed follow up audits of the Peterborough Investment Partnership and the Norfolk Property Services Peterborough Joint Venture. One of the key issues arising has been resolved with the introduction of the Shareholders Committee which has been reviewed during the year.

We also carried out a financial audit of the Mayor's Charities Fund, in line with Charity Commission requirements, with no matters to report. A follow up to the financial administration of the fund which is now managed in house was undertaken. Of the 19 recommendations 10 were still in the process of being implemented but progress has been made in other areas.

We have also undertaken a review of statutory testing arrangements in Aragon. Finalising the review work has been delayed as a result of resource time of frontline officers being diverted as a result of COVID-19. However work undertaken thus far is indicating that there has been good progress made in this area where there was previously significant concerns.

We will continue to examine this important area in 2020/21 with a follow-up of the above audit, a follow up audit of the Mayor's Charities Fund and ongoing governance review arrangements for external organisations. Further work will also be undertaken with regards to services provided by Aragon.

Programmes and Projects

The report regarding the arrangements for the transfer of services from Amey to our new local authority trading company, Aragon Services, via a review of the management of the project was finalised during the year. This was a complex programme with a number of staffing changes making it challenging to manage. Despite this, the transfer from Amey to PL occurred with a phased mobilisation in February, April and May 2019. Internal Audit did not review the operational success of the programme, however a recent report to the Shareholder Cabinet Committee, September 2019, provides a positive overview of the mobilisation phase and current service delivery.

During March 2020 work commenced around the governments Business Support Schemes, particularly in relation to business grants. Internal audit will continue with this work during 2020/21 undertaking post award validation and any emerging instances of fraud.

Contracting and Procurement

A number of Internal Audit reviews have touched on this topic. A contract tendering assurance framework has been produced which will be utilised for future reviews. A follow up to the Materials Recycling Facility has been conducted where significant progress has been achieved primarily by the introduction of additional resources. Procurement processes at Clare Lodge have also been reviewed. The report is presently in draft but no major issues have emerged. Following a decision to close the Northminster Car Park, the CAE has been involved with the closure review and working group established to review all aspects of the closure. The outcome of the work is still being considered and embargoed due to legal implications.

Service Delivery

A wide range of audits was carried out across all directorates and covering important areas, such as Community Infrastructure Levy, Apprenticeship Levy Scheme and Carbon Commitment Reduction. On the whole there are no major risks to report.

Anti-fraud Culture

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. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Internal Audit has not been involved in any major fraud investigations this year. We did investigate the presentation of fraudulent cheques that were presented to the bank. These were not processed however due to the controls in place and no evidence could be found of internal involvement. We also provided consultancy advice as a result of an attempt to defraud PCC by changing bank account details on intercepted invoices following a hacking event. Significant work has been carried out with regards to the National Fraud Initiative. This statutory exercise involves data matching of public and private sector data to detect potential fraud. The resultant matches have been investigated during the year and audit involvement and outcomes from this exercise are detailed later within this report.

Significant Issues

The PSIAS state that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement. The following areas are noteworthy.

- **Cyber Security** – work has been ongoing with regards to improving the security around our IT assets and resultant data. A review has highlighted that further work is required to ensure that all assets can be tracked which is particularly relevant in the present lockdown working arrangements with

equipment becoming more mobile and required at locations other than council buildings. Further work will be undertaken during 2020/21 in regards to this.

- **Budgetary Control** – this is a critical time for the Council and there is significant work underway to identify options to bridge the deficit. Our work looked at a discreet aspect of the budgetary process - the arrangements to track delivery of savings targets – and identified a number of areas where practices can be improved. This included the need to have a consistent approach that is understood and followed across the whole organisation, along with the continued development of the corporate savings tracker, thus ensuring proposals are robust and that mitigating actions can be taken if required.
- **COVID-19** – During March 2020 the Council has had to divert some of its resources to provide active support across Peterborough in response to COVID-19. Whilst this is at the end of this reporting financial year audit have revisited working arrangements and audits in progress to focus on the risks arising as a result of the pandemic and potential for increased risks and changing controls.

Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. In line with our Internal Audit Charter, where the resultant reports have been issued as a final, executive summaries are provided for your information (see table at the end of this report). Reports with limited assurance that are in draft will be presented to Audit Committee once they are finalised. One report falls into this category.

Reports for 13 July 2020

- Procurement Card System
- Energy Management
- Transition of Amey contract to Council LATCo

RESOURCING AND PERFORMANCE**Resourcing**

During 2019 / 2020, resources were increased from November 19 as a result of recruiting to the Senior Auditor post. Our sickness levels remain low, at an average of 2.0 days per FTE and this has not impacted on the deliverability of audits in general, as we assume a contingency for this when compiling our annual plan.

	No. of posts	Planned	Total in post for 2019/20	Audit Work PCC	Audit Work other entities	Non-Audit Work *
	Posts	FTE	FTE	%	%	%
Chief Internal Auditor	1.0	1.00	1.00	40%	24%	36%
Group Auditor	2.0	1.60	1.60	80%	15%	5%
Principal Auditor	1.0	0.50	0.50	80%	20%	-
Senior Auditor (vacant post filled November)	2.0	1.75	1.41	81%	19%	-
Auditor	1.0	1.00	1.00	97%	-	3%
TOTAL	7.0	5.85	5.51	76%	15%	9%

*Insurance/Investigations/Complaints/Elections/Job Evaluation

Quality Assurance

Compliance with Public Sector Internal Audit Standards:

An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) in November awarded the team with a Full Compliance Opinion. This assessment is required to be conducted every five years. The Internal Audit Service has continued to operate in compliance with PSIAS throughout the 2019/20 year with the exception of the AGS as previously stated.

Improvement Plan:

Internal Audit have developed an improvement plan in response to the recommendations of best practice contained within the above report, and including our service development plans. Progress to date includes:

- Ongoing revision of our Audit Charter, Annual Audit Opinion and progress reports to Audit Committee.
- Update of our documented working practices.
- Upgrading of our audit software to incorporate an in system timesheet.
- Increased agile working

Training:

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. There is a limited budget to purchase formal training, and we utilise free webinars, network events and team meetings to deliver training. Staff are also encouraged to carry out their own reading and research. The newly appointed Senior Auditor is studying for professional qualifications and assistance is provided with this where possible. Moving forward the team are hoping to utilise any training opportunities from the apprenticeship levy scheme where considered appropriate. There is also regular supervision of staff and all audits are subject to a quality review by the Group Auditors to ensure standards and quality are maintained.

Performance

Delivery of Plan:

After adjusting for the delay in recruitment we have delivered 906 audit days to Peterborough against a plan of 865 days; and 200 audit days to external organisations against a plan of 210 days. The remaining days for external organisations will be carried forward into 2020/21 where audit work was paused due to COVID-19 as the organisations request.

In accordance with best practice, the Annual Audit Plan was re-assessed throughout the year to ensure it was aligned to changing risks and priorities. The Audit committee reviewed the updated plan at its November 2019 meeting. This report lists the audits as outlined in the November version, along with subsequent additions which are annotated as NEW. Reviews that were removed from the plan as a result of risk priority were the safeguarding assurance framework, Programme Management Office due to restructuring. Homelessness, Cyber Security which was covered in other areas and disaster recovery. Where risk was assessed as a priority, these will be included in the 2020/21 plan. The revised Annual Plan contained 60 separate jobs for the Council, and although some jobs have been removed, others added, and scopes of work have been changed, we have completed 62 pieces of work and have 9 currently in progress.

Overall, there has been significant additional work carried out compared to that originally planned in the following areas:

- Northminster MSCP, Closure Review – Following a decision to close the Northminster Car Park, the CAE has been involved with the closure review and working group established to review all aspects of the closure. The nature of the work involved has resulted in a greater amount of resource being required.
- Connecting Families. There has continued to be a significant increase in the number of claims being submitted as the scheme is nearing its conclusion. Claims are made approximately monthly now, instead of quarterly, and there has been significant involvement in the update of the Council's Outcomes Plan.
- Energy Management System - the corporate utility payment process hasn't been reviewed for a significant period of time and inefficient processes identified numerous errors which required greater analysis.

ASSURANCE LEVELS AND RECOMMENDATIONS 2019 / 2020

Audit Activity	Department	Audit Type	Assurance opinion	Description
ANNUAL GOVERNANCE AND ASSURANCE				
Annual Governance Statement Review	All	consultancy	n/a	Verification of (but not production of) analysed results highlighted for inclusion in the final AGS report to include comparison with the Local Code of Governance. Annual Governance Statement 2018 / 2019 presented to Audit Committee on 15 July 2019.
Annual Investigations Report	All	consultancy	n/a	Annual Report for 2018-19 was presented to Audit Committee on 15 July 2019
Annual Audit Opinion	All	consultancy	n/a	Mid-year progress for 2019-20 was presented to Audit Committee on 18 November 2019.
				Annual Opinion for 2018-19 was presented to Audit Committee on 15 July 2019.
Annual Audit Plan & Strategy	All	consultancy	n/a	For 2020-21 a discussion report was presented to Audit Committee on emerging themes and planning approach on 27 January 2020. The Plan, Strategy, Code of Ethics and Charter were due to be presented to Audit Committee on 23 March 2020 but was cancelled due to COVID-19. Revised papers are being reported at this meeting, on 13 July 2020.
Internal Audit Effectiveness	All	consultancy	n/a	On-going monitoring, review and update against the PSIAS standards and associated action plan.
Audit Committee Effectiveness	All	consultancy	n/a	An annual review that was reported to Audit Committee on 15 July 2019.

Audit Activity	Department	Audit Type	Assurance opinion	Description
CORPORATE GOVERNANCE AND RISK MANAGEMENT				
Information Governance	All	Consultancy	n/a	Ongoing Involvement in the Information Management Strategic Board and any emerging issues, a shared arrangement with PCC and CCC.
Information Governance Framework	Law and Governance	Follow-up	Reasonable	The previous report highlighted 17 recommendations for action with a Reasonable audit opinion. Follow up review work has found that 11 recommendations have been implemented, 4 alternative actions have been introduced and 2 recommendations are in the process of being actioned.
IT Strategies	Resources	Consultancy	n/a	An on going role as a critical friend role via the Strategic Governance Board, where various policies have continued to be reviewed and discussed.
Risk Management	All	Consultancy	n/a	Ongoing Involvement in the Risk Management Board and any emerging issues of which the Chief Internal Auditor is a member. The Board meets on a monthly basis and reviews all departmental risk registers and corporate risks. Escalation processes are in place to refer departmental risks through to CMT. Reports were provided to Audit Committee on 16 September 2019.
Risk Management COVID-19 Risk Register NEW	All	Consultancy	n/a	Ongoing Internal Audit involvement in the development and production of a COVID-19 Risk Register following the inception of the Coronavirus pandemic. This work is ongoing and has rolled forward into the 2020/21 Audit Plan in terms of delivery and monitoring.
External Bodies Oversight – Shareholder Cabinet Committee	All	Risk Based		In progress Governance arrangements relating to the new shareholder cabinet committee responsible for overseeing Peterborough Limited and the organisations other activities such as partnerships and charities.

Audit Activity	Department	Audit Type	Assurance Opinion	Description
ANTI FRAUD CULTURE				
National Fraud Initiative	All	Consultancy	n/a	<p>14 dataset extracts matched by the Cabinet Office have produced 6,148 matches (of which 3,757 relate to creditors) and work has been ongoing during the year. Example findings have highlighted:</p> <ul style="list-style-type: none"> • Duplicate creditors have been identified through a number of matches. This has resulted in the identification of two duplicate payments totalling £1,989-90 which are in the process of being recovered; • 132 blue badge cases relate to where the recipient has died and the badge could still be in circulation, with 2 further cases relating to badges being issued at two different authorities for the same person. While the Council records have been updated we are awaiting confirmation with the section that administers the scheme to establish whether each permit has been recovered or are in the process of being recovered. For NFI outcomes, if the Permit is cancelled, a notional value of £575 per badge is attributed resulting in an estimated £77,050 in potential future parking income. • Similarly in relation to concessionary fares, 589 travel passes relate to where the recipient has died and the travel pass could still be in circulation. Permit records have been updated. For NFI outcomes, if the Pass is cancelled, a notional value of £24 per pass is set aside – potentially resulting in a loss of £14,136. • 1,777 matches regarding Council Tax to the electoral register have been reviewed to date. A total of £61,227 has been identified to date for recovery in relation to 147 cases and steps have been taken by Council Tax to recover. (In comparison, the previous years exercise was 35 cases / £16,000), • Creditor matches to payroll, potential Vat overpayments and payroll to Companies House (Directors) matches did not identify any errors or areas of concern following investigation.
Anti-Fraud Policies	All	Consultancy	n/a	<p>Policies have been refreshed during the year and presented to Audit Committee on 27 January 2020 in relation to:</p> <ul style="list-style-type: none"> • Sanction and Prosecution Policy – Council Tax • Sanction and Prosecution Policy – Blue Badge and Parking Permits • Counter Fraud Policy – Money Laundering
Fraudulent Cheques NEW	People and Communities	Consultancy	n/a	<p>The presentation of fraudulent PCC cheques for payment. These were stopped by the bank resulting in no loss to the organisation. No evidence of internal involvement in the attempted fraud was identified.</p>

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
FINANCIAL SYSTEMS									
Savings Targets	Resources	Risk Based (C/Fwd)	Reasonable	0	5	4	1	10	A review of the process for identifying and tracking the delivery of savings.
Procurement Card System	Resources	Consultancy (C/Fwd)	Limited	0	2	3	0	5	Provision of guidance on the control environment throughout the implementation phase of BSM
Energy Management	P&E / Resources	Risk Based	Limited	0	12	5	6	23	A review of processes in place for managing our energy costs, including contractual arrangements, data collection and monitoring and payment of invoices. See executive summary
Shared Services	P&E / P&C	Risk Based							In progress Review of cross authority charging arrangements for PCC/CCC and Fenland DC, to also include governance arrangement and financial delegations
Mosaic Payment Controls	People and Communities	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Advice on control requirements for mosaic and agresso payments interfaces.
Cyber Attack – August 2019 NEW	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	An attempt to defraud PCC by changing bank account details on intercepted invoices following a hacking event.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ORGANISATIONS									
Peterborough investment Partnership	Place and Economy	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	A follow up review of the arrangements in place to manage the Council's interests in this joint venture arrangement. All 3 recommendations have been implemented.
Norfolk Property Services Peterborough	Resources	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	A follow up review of the arrangements in place to manage the Council's interests in this joint venture arrangement, plus an overview of the management of the contract. Of the 6 recommendations previously made: <ul style="list-style-type: none"> • 3 have been fully implemented • 2 actions are in progress • 1 no significant process
Mayors Charity	Law and Governance	Follow Up	Reasonable	0	0	0	1	1	A follow up review of the 19 recommendations made have shown that: <ul style="list-style-type: none"> • 3 have been fully implemented • 1 alternative action has been introduced • 10 actions are in progress/partially implemented • 5 no significant progress <p>There has also been 1 additional recommendation made as a result of the audit work undertaken. Memo Issued.</p>
Aragon Services – Statutory Testing	Place and Economy	Risk Based							In progress This review will focus on the following areas: <ul style="list-style-type: none"> • Delivery of the statutory testing programme. • Document retention. • Monitoring and management of the testing programme.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
PROGRAMMES AND PROJECTS									
COVID-19 – Corporate Process Changes	All	Risk Based							In progress A review of process and policy changes with regards to impact on risk and controls.
COVID-19 – Business Support Schemes	Resources	Risk Based							In progress Internal audit involvement with the various COVID-19 schemes such as business grant payments to include fraudulent claims.
Transition of Amey contract to Council LATCo	Place and Economy	Risk Based (C/fwd)	Limited	0	4	0	0	4	The management of the project to ensure the desired outputs are achieved. See appendix B
Agresso – Periodic Supplier Payments	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	A review of the Periodic Supplier Payments (PSP) facility. Memo
CONTRACTS AND PROCUREMENT									
ESPO	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Consultancy advice on the specification for the audit Espo Framework
Northminster MSCP: Closure Review NEW	Resources	Risk Based	n/a	0	15	12	3	30	In draft A review of the circumstances leading up to the car park closure. Specific focus included a review of the contracting arrangements, property maintenance schedule and regime, health and safety and finances.
Materials Recycling Facility	Place and Economy	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Review findings identified that there has been substantial improvement in the new contract management arrangements. Of the 18 recommendations, 11 have been actioned with the remaining 7 being addressed with alternative actions.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
CONTRACTS AND PROCUREMENT (Continued)									
Clare Lodge – Contract Procurement Processes	People and Communities	Risk Based	Reasonable	0	0	0	1	1	In draft A review of procurement and contracting arrangements.
Contract Tendering	Resources	Risk Based C/Fwd	n/a	n/a	n/a	n/a	n/a	n/a	Compilation of an assurance framework identifying ownership for controls in place to mitigate risks, and highlighting any gaps. Complete

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
Business Continuity	Corporate	Risk Based	Reasonable	0	0	4	3	7	Report to be finalised The review focussed on: <ul style="list-style-type: none"> The Council's approach to business continuity The existence, appropriateness and testing, of service level documentation The approach taken regarding shared and outsourced services.
0-25 Disabilities Service in Peterborough and Cambridge	People and Communities	Risk Based	Reasonable	0	0	4	3	7	A review of this service across both Peterborough and Cambridgeshire Councils (carried out as two separate jobs). Details here relate to Peterborough only.
Carbon Reduction Commitment	Place and Economy	Compliance	Reasonable	n/a	n/a	n/a	n/a	n/a	Any issues arising that required data amendment were discussed during the CRC certification process. This was the final year for certification purposes.
IT Asset Management	Resources	Risk Based	Limited	0	1	7	3	11	In draft To review the processes in place for portable IT equipment to ensure they are adequately managed, deliver operational efficiency and value for money and are accurately valued for insurance purposes.
Taxi Licensing	Resources	Risk Based (C/Fwd)	Substantial	0	0	0	3	3	Covering the process for issuing taxi licenses, including safeguarding arrangements, in accordance with the Serious Organised Crime Pilot.
Gifts and Hospitality	Law and Governance	Compliance (C/Fwd)	Reasonable	0	0	3	1	4	Covering the processes in place to protect against 'insider threat' aspects of the Serious Organised Crime report. It was found that Gift and Hospitality registers are in place for staff, members and the Mayor, although only a few records of hospitality or gifts have been approved and recorded. Recommendations include increasing awareness at potential peak times such as Christmas to ensure declarations are made where appropriate.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
Community Infrastructure Levy	Place and Economy	Risk Based	Reasonable	0	1	2	0	3	In draft The scope covered the Council's approach to the administration of the Community Infrastructure Levy including a review of Policy, liability arrangements, monitoring of payments, funds allocation and accounting arrangements.
Health and Safety	Corporate	Follow Up							In progress The follow up on management actions following the issues identified in the Internal Audit and 4OC reports and to include arrangements in place for multi-occupancy buildings.
Apprenticeship Levy Scheme	Law and Governance /various	Risk Based)	Reasonable	0	0	0	2	2	In draft The review was to ensure that the scheme complies with Education & Skills Funding Agency (ESFA) requirements, PCC are utilising the levy funding to achieve ESFA targets and systems are in place to monitor the quality of training delivery.
Armed Forces	Law and Governance / Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Review of documentation and consultancy advice provided during the course of the work.
Disabled Facilities	People and Communities	Risk based	Substantial	n/a	n/a	n/a	n/a	n/a	Evaluation of new in-house system processes
Safeguarding Action Plan	People and Communities	Follow up	Reasonable	n/a	n/a	n/a	n/a	n/a	Review work found that all 6 recommendations had been implemented or was nearing completion.
Lone Working	People & Communities / All	Risk Based	n/a	n/a	n/a	n/a	n/a	n/a	Initial review scope was amended to provide advice as required due to a policy review being undertaken within the People and Communities directorate.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
Shared Services	P & C/ P & E	Risk Based							In progress Review
Schools	People and Communities	Risk Based							In progress A review of procurement processes within a selection of schools to governance arrangements, contract arrangements and monitoring.
Consultancy - Various	Resources / Governance	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	2 memos relating to Leave card and Timesheet testing 4 memos regarding Riverside Pavillion, Academy Bacs failure, Mileage Claims and Chaps payments.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION				
Bus Service Operators	Place and Economy	Grant	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport and Highways Maintenance Grant	Place and Economy	Grant	Certified	A DfT grant via the CPCA to help local authorities cut carbon emissions and create local growth.
Pothole Action Fund	Place and Economy	Grant	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
National Productivity Investment Fund	Place and Economy	Grant	Certified	DfT funding via the CPCA for 2018/19 to improve local road networks and public transport.
Local Transport Capital Funding NEW	Place and Economy	Grant	Certified	An additional highways grant from the DfT (non CPCA) to support highways maintenance
Highways Maintenance Challenge Fund	Place and Economy	Grant	Certified	This DfT 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.
Disabled Facilities Grant	People and Communities	Grant	Certified	Non ring-fenced capital funding towards grants that the council can award to disabled clients for necessary housing alterations.
Taxi Infrastructure Grant NEW	Place and Economy	Grant	In progress	DfT funding to support and improve Taxi Infrastructure.
Connecting Families	People and Communities	Certification	Certified	A payment-by-results scheme from MHCLG in relation to the government's Troubled Families programme. Claims are made monthly and there is a requirement to verify 10% of these. We are also required to review the Outcome's Plan which demonstrates how the Council will apply the qualification and success criteria. There has been a significant increase in the number of claims being submitted as the scheme is nearing its conclusion.
Carbon Reduction Commitment	Place and Economy	Certification	Certified	A verification of the Council's submission of annual energy usage figures in accordance with the requirements of the Environment Agency.
Mayor's Charity fund	Law and Governance	Certification	Certified	An audit of the accounts maintained in relation to fund-raising for the Mayor's Charities Fund in 2018/19 in line with Charity Commission requirements.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION: Continued (External)				
Hampton Hargate School NCTL NEW	P&C	Certification	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
The Pheonix School NCTL NEW	P&C	Certified	Certified	Various funding streams received from the DfE to support establishments with teaching school status.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	13 reviews are completed or in progress for this external client.
Vivacity	9 reviews are completed or in progress for this external client.

FINAL AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
Purchasing Card System	Limited	13 July 2020
Energy Management	Limited	13 July 2020
Transition of Amey contract to Council LATCo	Limited	13 July 2020

Executive Summary - PCard Management System (BSM)

Introduction

Government Procurement Cards (also known as GPCs and PCards) were introduced to the Council many years ago. GPCs are provided by Barclaycard, and are similar to credit cards. At the time of this report, there had been 8198 transactions in the 2018/19 financial year, with total expenditure approximately £1.2m. Two GPCs account for circa £760k of this expenditure, in the areas of Housing Needs and the corporate Capita Travel and Accommodation contract. GPCs were last subject to an internal audit in 2013. The main finding had been that none of the seven cardholders interviewed passed their transaction logs, card statements, and receipts to their line manager every month for review, so there was no check on the appropriateness of transactions, and therefore effectively no separation of duties in the process. This should be a key control in the process.

The Council used an electronic web-based management system for GPCs, which is called First Data, although it is better known under its old name, DCal. DCal collated the details of charges from corporate GPCs from electronic point of sale terminals. Every month end the transaction data is exported to Agresso, so that transactions can be accounted for against the appropriate budgets. The Council is currently implementing a replacement to the DCal system called Business Spend Management (BSM). BSM was due to go-live from 1st April 2019. It is understood that BSM, while performing broadly the same role as DCal, has better functionality and reporting capability than DCal. Time was allocated in the 2018/19 Audit Plan for provision of control advice. Internal Audit were asked to provide control advice relating to the implementation of BSM.

Objectives and Scope

The purpose of the audit was to provide guidance and support on the control environment throughout the implementation phase.

The scope covered

- Controls within the BSM system (including user access and permissions, review of transactions, and transfer of transactional data to Agresso), and in any manual processes directly related to use of BSM.
- Ongoing accessibility of transactional data held in First Data once BSM is implemented.

Although the scope was not intended to cover other areas relating to Government Procurement Cards, it included provision of guidance on GPC related issues, if any came to light.

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.

Main Findings

- There is inconsistent approach across the Council as to who cardholders should be, with GPCs reasonably evenly distributed between junior officers, junior/middle management, and senior management. Some cards are used very infrequently.
- Although the BSM system can require managerial review of transactions to be evidenced, it seems likely that this functionality will not be enabled, leaving managerial review of transactions as an entirely off-system control.
- It has come to light that some card-sharing (i.e. cardholders permitting others to use their GPCs) has taken place. In some cases, this was because emergency transactions had been necessary. Card-sharing is inappropriate since it obscures the audit trail, and breaches the explicit instructions that each cardholder has signed up to.

Conclusion and Opinion

Barclaycard have said that BSM is a very flexible system, and that within reason, it can be tailored to meet the client's specification. The BSM Focus Group has discussed set-up options for BSM. We have provided advice on the implications of possible controls within BSM to either the focus group or to the Procurement lead. As yet we have not been provided with any written proposals over how BSM will be implemented. It is our understanding that BSM will initially be implemented in way that is broadly consistent with the DCal set up, in order that BSM can be introduced quickly. Consideration will later be given to further changes that can be phased in as required.

Managerial review of transactions are a key control within the GPC transaction process to ensure that transactions are appropriate. Without this control, inappropriate transactions may not be identified in a timely manner, if at all. DCal had the ability to require on-system managerial review of cardholders' transactions, but this facility was not generally implemented, so there was no centrally-available evidence that the key control had been complied with. As management checks will remain entirely off-system once BSM is implemented, there is no real change to the control environment. It would be preferable for evidencing of managerial review to be required in BSM, although this would need an appropriate approval hierarchy to be established.

Guidance for the corporate Procurement Requirement Form and SourceDogg process recommends use of GPCs for purchasing of low value items or for one-time only use of suppliers. The main findings detailed above suggest that GPCs could be better allocated, to allow the Council to benefit from more efficient purchasing. Revisiting the purpose of GPCs, who needs them, and why, could provide direction on how BSM should be set up.

The main body of this report goes into more detail behind some of the unresolved questions around BSM. The audit opinion is Limited Assurance. This rating has been influenced by the system control environment, as has been explained to us, not seeming to be significantly different to DCal.

Executive Summary – Energy Management

Introduction

An audit of Peterborough City Council's energy billing management is included in the 2019-20 audit plan. A draft Corporate Energy Strategy had been jointly produced by Peterborough City Council and Cambridgeshire County Council (CCC), with the aim of reducing energy consumption, generating income and cost savings, and attracting investment for low carbon infrastructure. The strategy was approved by the Cabinet Member for Waste, Street Scene and the Environment in September 2019. Within Peterborough City Council, some reliance has been placed on the energy data collected in recent years for the Carbon Reduction Commitment (CRC) scheme. However the CRC scheme came to an end this summer, so that valuable source of consumption information will no longer be available.

Energy billing within the Council has not been subject of an audit for a number of years, although regular assurance work on the annual CRC submissions has identified issues with some gas and electricity supplies not receiving regular meter readings. Payment of the Council's utility bills is the responsibility of two teams. NPSP are responsible for paying most corporate utility bills. This is because payment of utility bills were centralised under the strategic property function in 2010. Electricity bills for street lighting are the exception, and these are handled by the Street Lighting team within Transport & Engineering. Between 4.4.18 and 20.5.19 there were approximately 4300 bills processed by these teams, with a total gross expenditure circa £4.1m.

Objectives and Scope

The purpose of the audit was to establish how the Council manages its energy bills to ensure that payments are made promptly, that the amounts charged are reasonable, and its records will be sufficient to provide a reasonable baseline for future energy-related projects. The scope covered contractual arrangements, bill paying and data collection in relation to the supplies received by the Council. The scope did not include other utilities, although any issues around payment of gas and electricity bills may also be relevant to water bills. Therefore consideration should be given to whether individual recommendations made in the report should be extended to water bills.

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.

Main Findings

- There is no one officer with day-to-day management responsibility for energy supply contracts and billing. Several teams involved in these processes work for partner / joint venture organisations, with different Council-side officers managing the partnership contracts. There is no written guidance to explain expected processes and the contract with NPSP does not clearly specify the Council's expectations.
- There is no single list of all Council supplies, including consumption data, which can be used to identify ongoing energy supplies at any point in time, for the purposes of arranging corporate supply contracts, or to enable a strategic overview of energy consumption.
- The main corporate process for paying utility bills is virtually the same interim process that was introduced in 2010 to allow time for suitable payment automation arrangements to be investigated. Little progress was made towards payment automation, and by default the interim process has become permanent. This process is inefficient, unreliable, results in numerous payment errors, and inhibits traceability of bills and payments. Audit testing found evidence of significant overpayments; duplicate payments; un-redeemed credit notes; bill batches that failed to reach Agresso and remain unpaid; incorrect treatment of rolled-forward account balances, and gaps in billing that do not appear to have identified and resolved. Whilst payment automation will not, on its own, resolve all issues, it will improve efficiency and reduce errors in payment. This may allow more focus on checking the accuracy and completeness of billing.
- Most of the Council's gas and electricity supplies are with suppliers (Corona and British Gas) who do not quote account balances and recent payments received on their bills. Most officers involved in bill-paying do not have access to energy suppliers' on-line portals. Therefore, the Council will not know what the official account balances are, and whether they are correct.
- There have been no clear responsibilities for taking actual meter readings and submitting them to the supplier. This leads to prolonged periods of estimated billing, which is inherently inaccurate. A recent programme initiated by a Senior Accountant with responsibility for street lighting to obtain actual meter readings resulted in reimbursement to the Council via credit notes for more than £10k. It is understood that work has started to address this issue.

Conclusion and Opinion

Street lighting electricity bills generally appear to be processed in a reasonable and timely manner, and their budget workbook would highlight if any expected bills were not received. The corporate utility bill payment process is inefficient, not particularly effective, and testing has identified many errors and issues. The historic decision to process batches of bills through the main finance system as if each batch was a solo invoice has had predictable consequences, particularly with regard to some payments not being correctly allocated by the supplier. This may not have been a problem had the interim process genuinely been short term while payment automation was introduced, but the outsourcing of the Strategic Property function in 2011 seems to have caused any progress to be lost. Payment automation could provide a more efficient process, and may allow the Council to benefit from discounts for prompt payment, so this option should be explored. It is a concern that there appears to be no real corporate view of energy account balances in respect of our two major suppliers. As the Council's decision to move to corporate contracts arranged via ESPO may see changes in suppliers, all accounts with British Gas and Corona need to be reviewed quickly to establish whether the Council has any substantial liabilities, or monies owed to it by those suppliers.

The new joint corporate energy strategy comments that:

"Data is key for managing energy demand and how to make efficiencies. It is critical to ensure that data collection is in place and that it is analysed to inform decisions to aid projects and manage costs."

Meaningful data collection and analysis requires the capture of consumption and cost data from all supplies, and recording it in consistent and useable format. With most of the officers involved in energy procurement and bill processing coming from the Council's partner organisations, it is difficult to see how this can be achieved unless a lead officer is appointed Council-side to manage and co-ordinate of all of the Council's energy contracts and billing. It is unlikely that payment automation or other significant long term improvements to bill-paying processes could be introduced without a Council-side lead officer to drive them forward.

The issues identified during the audit are explained in more detail in the main body of this report, along with recommendations for addressing them. The audit opinion is Limited Assurance.

Executive Summary - Transition of Amey contract to Council LATCO

Introduction

In July 2018 Cabinet made the decision to transfer services provided under the Amey contract to a Local Authority Trading Company (LATCo), as Amey were making a substantial loss and Peterborough City Council (PCC) had concerns over quality and performance. A loan facility of up to £1.75 million to the Company was also authorised, to provide working capital and cover start - up costs. The programme for transition of services commenced following Cabinet approval in July 2018, and a phased transition approach was taken between February and May 2019.

Objectives and Scope

The purpose of this audit was to review programme management arrangements to ensure that:-

- Corporate processes are followed ☐ Adequate governance arrangements are in place ☐ There is stakeholder engagement ☐ Appropriate skills & resources are utilised ☐ There is effective communication ☐ Finance & risk are adequately considered and addressed;
- A review of the process of Programme Management during planning and delivery only, in relation to the transfer of services provided by Amey to a PCC wholly owned Local Authority Trading Company (LATCo). Information has been gathered from 4OC, Project Programme & Assurance Office, client side Peterborough City Council Officers and Serco.
- The programme of work that enabled the transition to take place was reviewed. The project outcomes, benefits realisation and subsequent operation of the company did not form part of this review.

Main Findings

There have been many changes of personnel throughout this project, particularly in the programme management role, resulting in unclear lines of delegation and responsibility, a lack of clear ownership within PCC, and limited evidence of a structured approach.

The corporate project management system, Verto, was not used and it is unclear why this decision was made. A structured programme management approach was instigated in January 2019 by the PCC Project Programme & Assurance Office, but was used inconsistently by the variety of staff involved in the project from PCC, Serco and external consultants.

The documentation we would expect for a project of this size was not found. Most of the information we viewed was brought together during the structured approach mentioned above, although it was not complete. There was very little information available before or after this period, and none of that was in a structured format.

It was discovered that Internal Audit do not have access rights to audit the governance arrangements of Peterborough Limited (PL). This compounded the issue in relation to information availability post April 2019, but was not the reason for our inability to locate sufficient information prior to this time.

Conclusion and Opinion

This was a complex programme with a number of staffing changes making it challenging to manage. Despite this, the transfer from Amey to PL occurred with a phased mobilisation in February, April and May 2019. Internal Audit did not review the operational success of the programme, however a recent report to the Shareholder Cabinet Committee, September 2019, provides a positive overview of the mobilisation phase and current service delivery.

Whilst the project to transfer services from Amey to Peterborough Limited (PL) has completed, limited evidence was available to demonstrate that the process was effective, efficient and economic. This is of concern for a project of this size and the lessons learned should be used to inform future projects. In particular, it is important that all staff involved in a project are aware of their responsibilities and accountabilities and understand the project approach to be followed.

This report details recommendations that cannot be addressed in relation to the processes for this particular project. However, they are relevant to all future programmes and projects to ensure smooth delivery, successful outcomes and a review / lessons learned process. In light of the disbandment of the Project, Programme and Assurance Office, Corporate Management Team should consider processes for structured and documented management arrangements for the future.

The audit opinion is Limited Assurance.

AUDIT COMMITTEE	AGENDA ITEM No. 8
13 JULY 2020	PUBLIC REPORT

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

INTERNAL AUDIT PLAN 2020 / 2021
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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. Consider and agree to the Internal Audit Charter for 2020 / 2021 (Appendix A); 2. Consider and agree to the Internal Audit Code of Ethics 2020 / 2021 (Appendix B); and 3. Consider and approve the Internal Audit Strategy and Plans for 2020 / 2021 (Appendix C, D). 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of Internal Audit and investigations.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.

2.2 This report is for Committee to consider under its Terms of Reference:

2.2.1.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.1.3 To consider reports dealing with the management and performance of the providers of internal audit services.

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

3. TIMESCALES

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

4.1 INTRODUCTION.

4.1.1 The report explains the strategic approach for Internal Audit that will be adopted to continue to provide effective assurance risks facing the Council for the coming year. The remit and work of the section is documented in the Internal Audit Charter. The Charter is subject to an annual review by the Committee and is compiled in accordance with the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

4.1.2 Our original plan for 2020 / 2021 has been substantially revised in light of the Covid-19 pandemic. Our focus will be on the various ways this has impacted the Council, including new initiatives, new ways of working and the significant increase in fraud that is occurring nationally.

4.2 INTERNAL AUDIT CHARTER 2020 / 2021 (Appendix A)

4.2.1 The Charter sets out the purpose, objectives and scope of the activities of the service and has been developed to take account of the following requirements, which have previously been reported to the Audit Committee:

- The Public Sector Internal Audit Standards, which came into effect on 1 April 2013 (and revised in 2017); and
- The governance requirements set out in CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (December 2019).

4.2.2 The Charter has been compiled to ensure compliance with the Public Sector Internal Audit Standards (PSIAS). In summary, the PSIAS, which were agreed by a range of bodies including IIA and CIPFA, place the following requirements on public sector organisations' internal audit arrangements:

- (i) Compliance with the IIA Code of Ethics (and those of other professional bodies of which an auditor is a member, e.g. CIPFA). The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and, Competency.
- (ii) Purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
 - define the terms "board" and "senior management" for the purposes of internal audit activity;
 - cover arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- (iii) Independence and objectivity: the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor must report functionally to the board. In practice this means that Audit Committee (as the Board) will be involved in:
 - approving the internal audit charter;
 - approving the risk based internal audit plan; and
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.
- (iv) Proficiency and due professional care: audit engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

- (v) Quality assurance and improvement programme: the Chief Internal Auditor should develop an improvement programme that covers all aspects of the internal audit activity. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment, must be reported to senior management and to Audit Committee.

4.3 **INTERNAL AUDIT CODE OF ETHICS (Appendix B)**

4.3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct has been reviewed and remains unchanged with reference to those followed by Internal Audit in previous years. The Code of Ethics has been developed to mirror the obligations in this area as per the Public Sector Internal Audit Standards and is therefore considered to be in keeping with professional standards.

4.3.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. It is also further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

4.4 **INTERNAL AUDIT STRATEGY 2020 / 2021 (Appendix C)**

4.4.1 The Internal Audit function will:

- Provide the Section 151 Officer and Audit Committee with an overall annual opinion on the Council's governance, risk and control arrangements, which also supports the Annual Governance Statement;
- Review the Council's governance, risk management and control processes through a risk-based annual work plan which is aligned to the Council's objectives, giving assurance on the Council's wider risk profile, not just financial controls, and on key emerging risks;
- Support the organisation through changes in structure, culture and operating models;
- Demonstrate the value of audit by working proactively with those responsible for transformation and efficiency activities, to avoid duplication of audit and assurance effort and provide assurance across governance arrangements;
- Drive improvement in risk management, controls and governance by making effective recommendations to management arising from our work and monitoring and reporting on implementation;
- Assist management to optimise the control environment through a better understanding of risks which potentially enables fewer but better controls to be put in place;
- Co-operate effectively with external auditors and other review bodies functioning in the council;
- Use technology to improve the efficiency of audit testing –using data analytics and continuous audit methodologies – to foster greater compliance with policies and procedures;
- Improve governance through strengthening of the challenge role of Audit Committee, promoting appropriate compliance and ethical behaviours, and extending assurance arrangements to partnerships

4.4.2 The strategic approach set out above is underpinned by the Internal Audit Strategy which is set out in Appendix C and is aligned with internal audit best practice.

4.5 INTERNAL AUDIT PLAN 2020 / 2021 (Appendix D)

- 4.5.1 At the January 2020 Audit Committee, Members were provided with details of emerging issues which Internal Audit were using to shape its Internal Audit Plans. This was produced following consultation with Directors and Heads of Service, reviews of strategic and operational risk registers, committee papers, budget proposals, strategies and plans. The resultant plan and report were due to be presented to the March Audit Committee.
- 4.5.2 Since that time, the Covid-19 pandemic has significantly impacted on the risk profile of the Council. We have captured the various changes, impacts and new initiatives as they have developed over this period. We have used this, the Covid-19 risk register and our knowledge of national issues and published information to conduct a new risk assessment and inform our new plan. We have also consulted again with senior management in June 2020.
- 4.5.3 All auditors have adapted successfully to working from home and we will continue to utilise new working practices to best effect as we go forward. There has been no reduction in resource due to shielding and isolation requirements, however some team members have been working for the Volunteer Hub and this is reflected in the figures below. Our work as the auditors for Vivacity has also been impacted following the recent news of the closure of the leisure trust, although we have included time in our plan to support transition arrangements.
- 4.5.4 The Plan for 2020/21 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Our plan will remain flexible and responsive to any new or changed risks as the Council moves into a recovery phase. Assurances from other providers will be utilised where appropriate. The original and current allocation of the estimated 957 available days is shown below.

Internal Audit Work	Original Days	%	Current Days	%
Corporate Governance	55	6	60	6
Financial Governance	57	6	125	13
Information Governance	35	4	20	2
Procurement and Contracts	60	6	50	5
Programmes and Projects	42	4	40	4
Service Delivery	127	13	95	10
Cyclical/Annual	140	15	82	9
Other Resource Provisions	175	18	189	20
Delivery of Audit Externally	266	28	206	22
Volunteer Hub	-	-	90	9
TOTAL RESOURCES ALLOCATED	957	100	957	100

5. CONSULTATION

- 5.1 Consultation during the drafting of the documents and plans has been through the Directors and their respective management teams. Further consultation was undertaken with Members of the Audit Committee at the previous meeting when the Emerging Audit Issues were discussed.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Internal Audit work schedules and resources will be set out for the 2020/ 2021 year.

7. REASON FOR THE RECOMMENDATION

- 7.1 Audit Committee have a role to oversee the effect delivery of audit resources to ensure that corporate governance arrangements across the Council are monitored, reviewed and are effective to delivering the Council agenda.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 There is a statutory duty for the S151 Officer to put in place appropriate arrangements for the provision of Internal Audit.

9. IMPLICATIONS

Financial Implications

- 9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the existing budgets.

Legal Implications

- 9.2 None.

Equalities Implications

- 9.3 Not applicable.

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 A: Internal Audit Charter
B: Internal Audit Code of Ethics
C: Internal Audit Strategy
D: Internal Audit Plan

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PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT CHARTER

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KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	☎ 384 557
Louise Cooke	Group Auditor	☎ 384 558
Julie Taylor	Group Auditor	☎ 384 559

February 2020

Next Review: By March 2021

1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013 and was revised in 2017, is based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). It now provides a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, mission, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Peterborough City Council (PCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 However, it should be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. MISSION AND AIM

- 3.1 “To provide an independent risk based and objective assurance service which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values / vision of Peterborough City Council.”
- 3.2 The aim of the internal audit service is to demonstrate effective adherence and operation of the Core Principles for the Professional Practice of Internal Auditing. This encompasses demonstrating integrity; competence and due professional care; being objective and free from undue influence; aligning with the strategic objectives and risks of the organisation; being appropriately positioned and resourced; quality and continuous improvement; effective communication; provides risk based assurance; is insightful, proactive and future focussed and promotes organisational improvement.

3. AUTHORISATION

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015, which state that “*a relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*”,
- 3.2 This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC’s Constitution, making Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at PCC is fulfilled by the Acting Corporate Director of Resources.
- 3.3 Further, there are other requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations.
- 3.4 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

The above rights also include access to organisations and partners where PCC data is processed as part of contractual protocols where an open book/audit access arrangement is in place. An example of this is the ICT and Transactional Services provision provided by SERCO.

3.5 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4. ORGANISATION AND RELATIONSHIPS

4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At PCC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

4.2 Chief Audit Executive

At PCC, the Chief Audit Executive is the Chief Internal Auditor (CIA). The CIA has a direct line of reporting to the Acting Corporate Director of Resources who would approve all decisions regarding performance evaluation, appointment or removal of the CIA in consultation with senior management. In response to requirements laid down within the PSIAS, it is further confirmed that the CIA has a direct reporting line and free and unfettered access to the Section 151 Officer, Chief Executive and Monitoring Officer should it be required.

4.3 Board

4.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion; and
- Compliance with standards.

4.3.2 Internal Audit will work closely with the committee to facilitate and support its activities. Moreover, the CIA also has a direct reporting line, and free and unfettered access to the Chair should it be needed.

4.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Corporate Management Team of which the Section 151 Officer is a key member.

4.5 External Audit

Internal Audit interact with the Council's External Auditors – Ernst and Young – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties.

4.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with the other Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited. Where assurance is being provided to the authority from another internal audit provider, this will be included within reports to the Audit Committee where it is utilised in providing assurance as part of the annual audit opinion.

4.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5. **OBJECTIVES AND SCOPE**

5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion. This may include participation within working parties such as information governance and risk management.
- 5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the PCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Director in the discharge of their duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 5.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit Committee of such situations.

- 5.8 PCC's Anti-Fraud and Corruption arrangements are managed by the CIA, who is responsible for the associated corporate policies. The Anti-Fraud and Corruption Policy and the Whistleblowing Policy both make reference to the requirement to notify the CIA of all suspected or detected fraud, corruption or impropriety.
- 5.9 The CIA will produce an annual investigations report for the Audit Committee which encompasses the work undertaken during the year by the investigations team including any joint reviews with the internal audit team.

6. INDEPENDENCE

- 6.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the CIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit Committee, the Chief Executive, Section 151 Officer, Monitoring Officer, External Audit and the Corporate Management Team.
- 6.2 The CIA has line management responsibility for the Insurance function, Corporate Investigations team and stage 2 corporate complaints. The CIA is also an authoriser for payments from the Councils (and Combined Authority's) bank accounts. Other officers within Financial Services also have this responsibility, and the CIA is used as the approver of last resort if others are absent. Prior to undertaking any additional management responsibility the CIA will consider and discuss with senior management any potential conflicts that may be evident and the appropriateness of undertaking the additional roles. Any reviews within these activity areas will be kept separate and reviewed independently of the CIA. In such circumstances the Group Auditor will report directly to the Service Director Financial Services.
- 6.3 The remaining Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.
- 6.4 The CIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The Internal Audit Team complete an annual declaration of interests that highlights any potential conflicts which may affect the ability to undertake an individual assignment. Additionally, the internal audit brief requires a declaration to be made prior to the start of an assignment. Where this is evident an alternative team member will be assigned the audit review.
- 6.5 Where internal audit services are provided to external organisations, the nature of the work undertaken and resultant outputs will not be shared with PCC. Service Level Agreements are presently in place for Vivacity Leisure Trust and the Cambridgeshire and Peterborough Combined Authority where internal audit services are delivered by PCC.

7. PROFESSIONAL STANDARDS

- 7.1 PCC's Internal Auditors operate and comply in accordance with the revised PSIAS, 2017.
- 7.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by PCC. These include, but are not limited to Financial Regulations and Contract Standing Orders, Data Protection Policy, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA) and all legislation affecting the Council's activities.
- 7.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. They will similarly not be unduly influenced by their own interests or by others in informing judgements. All working arrangements and methodologies followed by PCC's Internal Auditors are set out in the Audit Manual.

8. AUDIT RESOURCES

- 8.1 The CIA will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The CIA will ensure that there are appropriate resources to deliver an annual evidenced-based audit opinion. As stated in the CIPFA Application Note, "No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion. Local factors within each organisation will determine this minimum level of coverage."
- 8.3 The Internal Audit Service has access to staff that have a suitable range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include risk based and systems reviews, contract audits, grant certification work, consultancy input to new / modified systems, compliance and special / fraud investigations. In the event of special investigations being required, this will be pursued in conjunction with the Corporate Investigations team if considered appropriate.
- 8.4 If it is identified that there is a shortfall in a particular or specialist/technical skill the CIA will not agree to undertake the audit assignment which could impact on effectiveness or quality of output. In such circumstances external resources may be procured as appropriate until the in-house team gains the required skills.

8.5 As previously determined Internal Audit may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this. This will be determined by the CIA on an assignment basis in conjunction with the Acting Corporate Director of Resources where there is likely to be an impact on the delivery of the audit plan.

9. AUDIT PLANNING

9.1 The CIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology and an assessment tool. The key factors used in the assessment are:

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

It will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Senior Management for their approval prior to being taken forward to the Audit Committee for final endorsement, in advance of the new financial year to which they relate.

9.2 Resources and required skills are identified as part of the annual planning process. As identified in 8.4 any shortfall in technical skills and/or differences in the resources available to meet the requirements of the audit plan will be highlighted to management and the Audit Committee as part of the planning methodology within the audit strategy along with the continuous review of the Internal Audit Training Strategy. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES

- Core system assurance work
- Governance, Risk Management and Assurance Framework
- ICT governance and risk
- Corporate / Cross Cutting audits (including value for money reviews)
- Contracts and projects
- Departmental specific reviews
- Compliance activity e.g. schools
- Grant claim certification work
- Fraud and irregularities
- Follow up activity
- Internal consultancy / advice on risks, controls and procedures
- Fee paying audit work
- Member support

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks based on planning assessment methodology. It will be flexible, but will only contain a small element of contingency to accommodate fraud assignments which could not have been readily foreseen. However, in accordance with the internal audit assessment process, specific audit requests may take precedence over the original audit plan. If a request for additional work arises where the assessment criteria does not identify the review as high priority, Internal Audit will reserve the right to make a charge for any additional work that is still deemed required by the business. This will be done in consultation with the Acting Corporate Director of Resources and reported to the Audit Committee as appropriate. Resources, such as specialist or additional auditors may be required to supplement this.

10. REPORTING

10.1 The process followed for completing each audit is set out in **Table 2**. Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and

- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales;
- Prompts management to implement agreed actions within targeted dates; and
- Is quality checked by senior officers within Internal Audit prior to circulation.

10.2 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Similarly if following exit meeting discussions findings, recommendations or audit conclusions are disputed by the client every effort will be made to resolve any situations arising with the relevant directorate. In both instances, depending on the severity of the situation and risk, the matter may be escalated upwards to the Chief Executive and drawn to the attention of the Audit Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Audit Brief	Where possible 10 days' notice will be given prior to the commencement of a review, although audits can commence earlier subject to mutual agreement, or where the nature of the work necessitates an immediate start. A brief is produced and agreed with manager(s) prior to the commencement of the review.
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	Held at conclusion of fieldwork, or once draft report has been produced (see below), to discuss issues found (if not already provided during course of fieldwork).
Draft report	A draft report will be produced within 3 weeks of audit field work completion. A draft report meeting will be arranged with the Head of Service / Line Manager within 10 days of the report issue to discuss and formally obtain management responses. This will incorporate acceptance (or not) of actions together with timescales for implementation.
Final Report	Internal Audit incorporates management comments within the report along with agreed timescales to implement any agreed actions. The report will be re-issued as a final within 5 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).
Non response	If management do not respond to the draft report or a meeting request, a reminder will be sent to the original recipients requesting a response within 10 working days. If a response is not received this will be escalated to the next management level after a further 5 days (day 15). After that time, if a response is not received within a further 5 days a notice will be sent to the original recipients and the relevant Director to state that the report will be finalised and recommendations will be marked as 'agreed without response'.

Follow-up Review	Audit activities are normally followed up within 6 months of report finalisation but this can vary depending on target dates for implementation. Management are required to provide details of recommendation implementation which may be subject to further detailed review by internal audit.
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10.3 Recommendations are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary. Where there are no responses received from managers despite formally chasing, a report will be deemed as final and issued.

TABLE 3: AUDIT ASSURANCE	
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.

10.4 Following the end of the year, an annual report will be produced setting out Internal Audit’s opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period to which the opinions pertains;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance (or non-conformance) with the PSIAS and the results of the quality assurance and improvement programme.

10.5 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.6 All reports produced are set out in **Table 4**.

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Report	<ul style="list-style-type: none"> • Service Manager / Headteacher • Director / Chair of Governors • Chief Executive • s.151 officer • Monitoring Officer • Leader of the Council • Cabinet Member for Resources • Chair of Audit Committee 	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan

Progress Reports (based around the committee cycle)	Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	<ul style="list-style-type: none"> • Progress against annual plan • Any amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Audit Committee • External Audit • S151 officer • Monitoring Officer 	The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.	<ul style="list-style-type: none"> • Annual assurance report giving CIA's opinion on the control environment • Achievement of the annual plan and performance data. • Effectiveness of Internal Audit
Annual Audit Plan	<ul style="list-style-type: none"> • Audit Committee • S.151 Officer • External Audit 	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	<ul style="list-style-type: none"> • Audit Plan and days to be delivered • Audit Charter • Code of Ethics • Performance indicators to monitor service delivery and quality

11. INTERNAL AUDIT SERVICES PROVIDED TO EXTERNAL CUSTOMERS

- 11.1 Audit activities undertaken on behalf of other organisations follow similar protocols to that of PCC in terms of compliance with PSIAS. Internal audit plans are developed on a risk based methodology in providing assurance and delivering an evidence based Annual Head of Internal Audit Opinion. Reporting and progress monitoring is produced in accordance with the respective audit committee and senior management team and terms of reference detailed within service level agreements.

12. QUALITY ASSURANCE AND IMPROVEMENT

- 12.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity. The QAIP is informed by both internal and external assessments, any changes to the PSIAS themselves, best practice guidance and research, and continued improvements in the use of the audit system Pentana. The results of the quality assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit Committee.

12.2 Internal Assessments

- 12.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators.
- 12.2.2 Internal arrangements also include a bi-annual survey and post audit feedback from auditees. Should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.
- 12.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the CIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Audit Committee. Presenting this information to the Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the CIA.

12.3 External Assessments

- 12.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification. PCC was subject to an external review in 2018 and was found to be fully compliant.

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PETERBOROUGH CITY COUNCIL

INTERNAL AUDIT CODE OF ETHICS

INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of Peterborough City Council's (PCC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality.** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY

PCC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and

OBJECTIVITY

PCC Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY

PCC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY

PCC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest;
- Confidentiality is clearly understood and any breaches will not be tolerated; and
- Staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

PETERBOROUGH CITY COUNCIL INTERNAL AUDIT STRATEGY 2020/21

1 INTRODUCTION

- 1.1 Internal Audit has a key role in supporting the Council and its Audit Committee in discharging its governance responsibilities. Its aim is to provide independent risk based and objective assurance which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values and vision of Peterborough City Council.
- 1.2 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. The role, purpose and authority of Internal Audit is defined in our Charter, which is updated annually and presented to the Audit Committee for approval.
- 1.3 This document demonstrates how Internal Audit will support the Council in by delivering a relevant and focused Internal Audit Annual Plan for 2020/21. It explains how the plan was developed, the resources required to fulfil it, and how we will continue to develop the audit service.
- 1.4 The strategy will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council’s aims and in achieving a professional, modern audit service.

2 INTERNAL AUDIT PLANNING PROCESS

- 2.1 In an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. To ensure the plan is flexible and meets the needs of the organisation in real time an assessment and planning tool will be used throughout the year on a rolling basis. This approach has been in operation since 2018 and has the advantage that each selected piece of work is the right one.
- 2.2 In January 2020 Audit Committee, received and discussed some emerging themes as part of the 2020/21 annual planning process. These were generated from our review of: departmental and strategic risk registers; discussions with senior management; the Council’s priorities; the Medium Term Financial Strategy; key decisions and reports taken to Cabinet, Scrutiny Committee and other committees; and contract and project registers. The themes considered were:
- **Corporate governance** – an overview of governance arrangements not covered elsewhere, as well as compliance with our Local Code of Governance.
 - **Financial governance** – a key area considering the financial pressures faces by the council, and covering major financial systems.

- **Information governance** - this includes data protection and management arrangements, including IT security, as well as major changes to IT infrastructure.
- **Contracts and Procurement** - this is an essential component of the audit process, especially given the dependence on external suppliers and partners.
- **Projects and Programmes** – there are a number of large projects designed to introduce new ways of working and to increase efficiency and cost effectiveness.
- **Service Delivery** - including those services delivered internally and by external bodies, such as joint ventures or wholly owned companies, and also within shared service arrangements.
- **Cyclical/Annual** - this includes work that is required rather than risk assessed, for example independent verification and grant certification; cyclical reviews of schools and our annual involvement in the National Fraud Initiative.

- 2.3 The list of ideas that this generated was then subject to an assessment, using our planning tool. The key factors being assessed are:
- **Materiality:** The size of a system or process in terms of financial value or number of transactions or number of people affected.
 - **Corporate Importance:** The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
 - **Stability:** The degree of change within the process.
 - **Vulnerability:** Extent to which the system is liable to breakdown, loss, error or fraud.
 - **Specific concerns:** Arising from management’s assessment of risk as well as audit intelligence.
- 2.4 The Annual Audit Plan was then compiled on the basis of:
- The prioritised list of potential audit reviews generated by the above assessment.
 - The number of audit days available for the year.
 - The skills, knowledge and experience of audit staff.
 - Information from other assurance providers.
 - An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.
- 2.5 The resultant plan was due to be presented to the March Audit Committee, which was subsequently cancelled due to the lockdown response to the Covid-19 pandemic. In the intervening time the risk profile of the Council has significantly changed and therefore we have taken the opportunity to revise our plan so that we can present a more relevant one to the July Audit Committee. We have captured the various changes, impacts and new initiatives as they have developed over this period and have used this, along with the Covid-19 risk register and our knowledge of national issues and published information to conduct a new risk assessment and inform our new plan. We have also consulted again with senior management in June 2020.
- 2.6 Given the very different environment we now find ourselves in, and the fact that it will continue to change throughout the recovery phase and into a new ‘business as usual’, we will keep our plans flexible and responsive. We will re-assess new risks that emerge or concerns that are raised, and thus determine its priority for review compared to those areas already in the plan. Coordination between Internal Audit and Risk Management functions is of value here such that emerging local and national risks are identified. This new aspect of our planning methodology means that we cannot state with certainty which audits will be undertaken, however we will be able to ensure that each next piece of work is the highest priority one. Changes to the plan will be notified to the S151 officer and Audit Committee.

3 AUDIT RESOURCES

- 3.1 The Internal Audit Service is provided by an in-house team with an establishment of 6.10 FTE (as detailed below). The team is currently fully resourced, having recruited a Senior Auditor in 2019-20.

Post Name	FTE
Chief Internal Auditor	1.00
Group Auditor	1.60
Principal Auditor	0.50
Senior Auditor	2.00
Auditor	1.00
Total establishment	6.10

- 3.2 The Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, as well as undertaking any Stage 2 Corporate Complaints. Management of these activities equates to approximately 0.5 FTE. The Internal Audit Team also provide audit services to the Combined Authority and the planned resource requirement for this is 1.1 FTE. Additionally, some members of the team have been working for the Volunteer Hub and it is expected that this will equate to just under 0.5 FTE. Thus the remaining FTE available to provide an audit service to Peterborough City Council is 4.0 FTE.
- 3.3 The new flexible planning methodology means it is not possible to say at the outset how our resources will be utilised throughout the year. However, during the planning process we consider (and have management requests for) more areas for review than we have the resources to cover. Appendix D shows those areas (shaded) that we are currently predicting that we will not be able to cover based on our current resource levels and the risk profiling of audit areas.
- 3.4 Resource requirements are reviewed each year during this planning process, however, there is an additional review currently underway as part of the Budget 2020 process. This includes investigation of a shared service arrangement with Cambridgeshire County, as well as the possibility of reducing staffing numbers. Any changes to the structure and resourcing of Internal Audit will result in a further review of our programme of work, and this will be reported to the Audit Committee.
- 3.5 We are not aware of any work included within our plan which presents a conflict of interests for any team members. We will keep this under review during the year as individual reviews are scoped. Should a conflict arise, our Charter states that such audits will be reviewed independently from the CIA and we will determine the most appropriate arrangements at the time.

4 QUALITY ASSURANCE AND IMPROVEMENT

- 4.1 The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). We will continue to monitor and improve the quality of our work in the following ways:
- Robust, evidenced quality reviews of each piece of audit work by senior management.
 - Ongoing supervision and mentoring of staff, though 1:1s.
 - Assessment of the training needs of staff in conjunction with the internal audit training strategy and the corporate appraisal process.
 - Post-audit questionnaires obtaining the views of auditees.
 - Customer surveys to understand the requirements of management and their views on the quality of our service.
 - Producing and implementing an improvement plan based on any self or externally assessed reviews of our work.

5 AUDIT SERVICE DEVELOPMENT

- 5.1 We aim to continually review and improve our service to ensure it is of the highest quality and meets our aims, as set out in the Charter. Planned developments for 2020/21 include:
- Implementation and further development of our Quality Improvement Assurance Plan
 - An update of our follow-up process, to improve efficiency and ensure all actions are tracked and easily reportable.
 - A survey of senior management to understand their thoughts on the work that we do, and to assist in shaping the Internal Audit service going forward.
 - A review of our post-audit questionnaire, with the aim of increasing its return rate using electronic surveys.
 - Areas for staff development have been identified around commercialisation and alternative service delivery mechanisms such as joint venture arrangements. Consideration is being given as to how best training can be delivered for these subject areas. Due to the current situation there is an increasing quantity of free online training being made available, predominantly covering issues relating to the pandemic, but it is hoped that this may be an avenue we can explore going forward.
 - Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements as well as preparing for the migration of the present system Pentana with MKInsights in 2020.

6 OVERVIEW OF PLAN

The Plan for 2020/21 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate. The original and current allocation of the estimated 957 available days is shown in the Table below. Further details of specific audit reviews can be found in Appendix D, which also highlights the changes between our original plan and the one being presented at the July Audit Committee meeting.

Internal Audit Work Activities	Original Days	%	Current Days	%
Corporate Governance	55	6	60	6
Financial Governance	57	6	125	13
Information Governance	35	4	20	2
Procurement and Contracts	60	6	50	5
Programmes and Projects	42	4	40	4
Service Delivery	127	13	95	10
Cyclical/Annual	140	15	82	9
Other Resource / Assurance Provisions	175	18	189	20
Delivery of Audit Externally	266	28	206	22
Volunteer Hub	-	-	90	9
TOTAL RESOURCES ALLOCATED	957	100	957	100

6.1 Financial Governance

This will include a range of assurance and verification work relating to spend, particularly in respect of Covid-19 expenditure and government support grants. We will look to verify compliance with spending controls and decisions and to detect fraud. We will also provide consultancy advice on the new Financial Control Framework, including Financial Rules and Scheme of Delegation. Many other aspects of our work will have a financial element to them, such as our reviews of contracts, projects and grants. We will co-ordinate our work with our External Auditors to ensure that there is no duplication of effort and to obtain any assurance from the work that they do.

6.2 Corporate Governance

The work outlined in this section provides a high level overview of the governance arrangements at the Council, including the reshaping of Human Resources and Finance functions and the planned up-skilling of managers, compliance with the Code of Corporate Governance and input to the Annual Governance Statement. We will also continue to be involved in the new Risk Management board.

6.3 Information Governance

In this area we are planning to review arrangements to deal with the risks to data and systems due to the increased level of fraudulent activity, along with the significant level of home working. We will also continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

6.4 Other Service Delivery

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures. This year that will include Aragon. We will also provide support for the transition arrangements for Vivacity Leisure Trust.

6.5 Anti-fraud Culture

The Chief Internal Auditor manages an Investigations Team, and reports to Audit Committee separately about their work. However, in delivering all of its work, internal auditors are alert to the risks and exposures that could allow fraud or corruption to occur. Our plan also includes time for pro-active fraud detection during this time of significant change in the Council, which will have an on impact staff and their working practices, increasing the risk of error and fraud. It will also include our annual work in relation to the National Fraud Initiative. Where suspected irregularities require investigating, we will re-prioritise our audit plan to enable time to be released from other audit work. We will also work with the Investigations Team where appropriate.

6.6 Service Delivery Risks

We have included a number of reviews in this area including Agile Working, Teachers Pensions and the changes to the Payroll System.

6.7 Procurement and Contracts

We have revised our plans in this area to look at the changes to the control environment as a result of the response to the pandemic, along with a review of the arrangements in place to support contractors through a variety of measures including payment uplifts and advances. We will also, as part of our follow-up process, review the amended contract with Norfolk Property Services.

6.8 Programmes and Projects

We assess the management of projects as high priority at a strategic level and always include time in our plan. This year we have the Think Communities programme and the project to merge the Peterborough and Cambridgeshire ICT estate identified for review. We will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. This may also include a look at business benefits realisations, as the large transformation projects are key to the delivery of efficiencies and therefore necessary savings.

6.9 Grant Certification

As a result of the Council continuing to receive and obtain grant funding, the demand for internal audit to certify grant claims continues. Also included in this area of the plan is other verification work carried out in line with Government requirements, such as Troubled Families programme (known locally as Connecting Families) and the Transport related grants from the Combined Authority..

6.10 Other Resource Provisions

This area includes time for:

- Completing 2019/20 audits that have yet to be finalised at the beginning of 2020/21
- Following-up the implementation of audit recommendations, normally within 6 months of the original audit;
- The provision of control advice and consultancy, which is requested on an ad-hoc basis from a variety of managers and officers. A large amount of this work consists of advice during the update or implementation of new systems or processes.
- Annual audit planning, progress monitoring and reporting.
- Other committee support, including reporting, Audit Committee training and a review of Audit Committee effectiveness

- Review and update of the Internal Audit Charter and Ethics statement, Quality Service Improvement Plans and review of Internal Audit effectiveness

6.11 External Works

PCC Internal Audit provides audit services to the Combined Authority (from May 2017). This is managed through a Service Level Agreements and costs are chargeable. The work undertaken is client confidential and is reported to the organisation's own audit committees. A small amount of chargeable work is occasionally carried out for schools, specifically grant certifications. We have previously provided audit services to Vivacity–Peterborough (since 2010), but this will not continue due to the closure of the Leisure Trust.

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**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

AUDIT ACTIVITIES Provision for Internal Audit and Anti-Fraud activities that are not subject to risk assessment.	
SERVICE / SYSTEM	AUDIT SCOPE
Annual Audit Planning	Produce risk assessed annual plan and strategy, along with a review of: <ul style="list-style-type: none"> • Internal Audit effectiveness • Internal Audit Charter • Internal Audit Ethics Policy • Quality Assurance Improvement Plan Includes reporting of the progress of the plan during the year. In accordance with PSIAS.
Annual Audit Opinion	Produce report detailing work carried out and Head of Internal Audit Opinion of Governance, Risk and Control, in accordance with PSIAS.
Audit Committee Support	This includes a review of Audit Committee effectiveness, update of the Audit Committee Handbook, provision of training and attendance at meetings.
Annual Corporate Governance Review	Production of final AGS for 2019 / 2020. High level review of governance including compliance with Local Code of Governance and ethics/standards.
Working Groups/ Boards/Committees	Attendance at working group/board meetings (for example: Risk Management, Information Governance, project and procurement boards and Brexit working group) and reviewing emerging issues.
Carry Forward Provision	Provision for the completion of 2019 - 20 audits.
Follow Up Provision	Revisiting audits after 6 months to monitor the implementation of recommendations.
Advice and Consultancy	Allowance exists for time spent on providing risk and control advice to officers, management and members, as well as ad hoc requests for consultancy work. We anticipate that this will increase due to the numerous changes in working arrangements as a result of the pandemic.

TOTAL AUDIT DAYS	278
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**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

AUDIT ACTIVITIES

Provision for Internal Audit time spent on external audit work.

External work	We are the Internal Auditors the Combined Authority. We also occasionally carry out NCLT grant certifications for schools. This work is chargeable and is not reported into PCC's Audit Committee. We have also been the Internal Auditors for Vivacity, but have removed this from our plan following the recent news of its closure. We have however included time elsewhere in the plan to look at transition arrangements.
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**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

CERTIFICATION

Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.

DESCRIPTION	COUNCIL OBJECTIVE	DIRECTORATE	AUDIT SCOPE
Disabled Facilities	6	P&C	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations. Completion by July 2020
Bus Service Operators	6	G&R	A grant to support bus services, including community transport services – Completion by September 2020
Taxi Infrastructure	1	G&R	From DfT. ULEV Taxi Infrastructure Competition – completion by March 21
Integrated Transport Block	1	G&R	From DfT via CPCA. Completion by September 2020
Highways Maintenance	1	G&R	From DfT via CPCA. Completion by September 2020 (Needs Element, Incentive Element, Additional Incentive Element).
Pothole Action Fund	1	G&R	From DfT via CPCA. Completion by September 2020
National Productivity Investment Fund	1	G&R	From DfT via CPCA. Completion by September 2020
Norwood Lane	1	G&R	From CPCA. Completion by September 2020
University	1	G&R	From CPCA. Completion by September 2020
Connecting Families	2, 6	P&C	Payment by results scheme. Requirement to audit 10% of the claims for every submission. Also, to review the council's Outcomes Plan, which documents how PCC will apply the scheme. Claims reviewed monthly.
TOTAL AUDIT DAYS			65

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Financial Resilience*	All	Corporate	Assurance testing of spend to verify compliance with spending controls and decisions and to detect fraud. To include verification of covid-19 spend returns to MHCLG. Consultancy advice on the new Financial Control Framework, including Financial Rules and Scheme of Delegation.	H	87
Agile Working (new)	All	Corporate	A review of various aspects of the new remote working arrangements. To include equipment, health and safety, management and monitoring and Human Resources policies.	H	76
Business Support Grant (new)	All	Resources	Post payment assurance work in line with guidance and requirements from MHCLG/BEIS. This is designed to detect fraud and error, with the aim of recovering erroneous payments, for all business support grants, including the new discretionary grants. The value of grants being paid out is approximately £30m.	H	74
Procurement and Contracts*	All	Corporate	A review of procurement and contracting arrangements following relaxation of some controls to deal with the pandemic, as well as increased levels of fraud risk. For example: on-boarding of new suppliers; bank mandate fraud; increased extensions and exemptions to contracts. A review of arrangements to support contractors during the pandemic, for example via uplift and advance payments.	H	66
Infection Control Fund (new)	3	People & Communities	Management request to review the operational and financial controls in place to manage payments to care providers in respect of the government grant of £1.75m.	H	66

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Payment Methods (new)	3	People & Communities	A review of new payment methods implemented to assist with Hub activities and payments for food for those who are vulnerable and shielding.	H	63
Cyber Security*	All	Customer & Digital	Monitoring of the IT response to increased fraud risks and the impacts of remote working.	H	64
HR/Payroll Systems*	All	Chief Exec	Resourcelink is being developed to offer self-service management of expenses, absence and so in. This will have increased importance now that staff are working remotely. An overview of the control framework in place.	H	62
Vivacity (new)	5	People & Communities	Support during the transition arrangements.	H	61
ICT Joint Strategy	All	Customer & Digital	Overview of project to merge the Peterborough and Cambridgeshire ICT estate and to exit from the Serco contract.	H	60
Aragon	1, 6	Place & Economy	Governance arrangements for this wholly owned company.	H	58
Think Communities*	3	People & Communities	This will look at the arrangements for partnership working, including shared decision making and data sharing. This was already included in the plan, but will have a new focus following the successful operation of the Volunteer Hub and the inclusion of the ethos and newly developed operational and partnership arrangements that are intended to become BAU.	H	57

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority		
				Rating	Score	
Teacher's Pensions	2	Chief Exec	An overview of the arrangements for ensuring pension data is provided promptly by schools, and for ensuring that enhanced pensions are awarded in line with policy.	H	56	
Management Up-skilling	All	Legal & Governance	Consideration of activities for upskilling managers following the reshaping of HR and Finance functions.	H	56	
TOTAL AUDIT DAYS						323

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Schools (removed)	2	People & Communities	DofE proposals to re-introduce cyclical audits of schools have been delayed due to the Covid-19 pandemic.	Top Slice	N/A
Mayor's Charity (removed)		Legal & Governance	Income and expenditure has fallen below Charity Commission thresholds and therefore no independent review is required.	Top Slice	N/A
Temporary Accommodation (removed)	1, 6	Place & Economy	A review of the operation of the various teams/organisations in managing temporary accommodation.	H	58
Asset Management (removed)	All	Resources	A review of some specific aspects of asset management: <ul style="list-style-type: none"> • Arrangements for keeping the asset register up to date • Process for ensuring condition surveys are completed on buildings 	H	58
Climate Change (removed)	4	Place & Economy	A review of arrangements for achievement of action plan.	H	56
Business Improvement District (removed)	1	Place & Economy	This will look at the processes for collection of the new levy as well as payment (of claims against the funds raised).	H	56
Licensing (removed)	6, 7	People & Communities	Covering both Selective Licensing and HMO licensing. New legislation requires more properties to have an HMO license.	H	56

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Peterborough Integrated Energy Infrastructure (removed)	1	Place & Economy	Energy from waste scheme. A look at the processes in place that ensures all grant criteria are met to enable grant to be claimed. Also the governance around roles/decision making between partners.	H	55
Parking Services (removed)	3	People & Communities	Review of all on and off street parking, enforcement activity, and use of car parks as assets.	H	55
Direct Payments (removed)	3	People & Communities	A review of the process for awarding and monitoring payments made direct to service users in respect of their care packages.	M	40
Event Management	7	Place & Economy	A review of the arrangements for public safety at events in the city.	M	51
Housing	1, 6	Resources	Arrangements for managing the stock of council owned housing and the proposals around becoming a HRA.	M	54
University PropCo	1	Place & Economy	A review of the governance of this joint venture between the Council and the Combined Authority, which will be responsible for the delivery and management of the proposed university buildings.	M	54

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Fair Tax Mark	All	Resources	Compliance with initiative promoting fair tax conduct.	M	39
Syrian Refugee Programme	3, 6	People & Communities	Review of grant-funded activity including monitoring and evaluation.	M	38
Town Deal Funding	1	Place & Economy	A review of the framework for managing grant funds.	M	36
SEND	3	People & Communities	Spend on children with disabilities and cost of packages and what changes when transition into adults	M	36
Safeguarding Assets	3	People & Communities	Protocol for when the Council acts as deputy or appointee for service users.	M	32
Data Management	All	Corporate	How the council ensures that its data is accurate and available for efficient decision making.	M	32
Off contract purchasing	All	Corporate	Analysis of purchases made outside corporate contracts, including spot/block purchasing of beds.	M	38
S75	3, 7	People & Communities	Arrangements to ensure that all S75 agreements are up to date and appropriate leading up to renewal.	M	34
Joint funded placements	3	People & Communities	Examination of financial arrangements where the Council funds placements along with other authorities.	M	34
Mental Health	7	Corporate	A review of the Council's Mental Health Strategy and its implementation.	L	28

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources. Following the revision of the plan, changes to scope are marked with asterisk and new or removed audits are annotated as such.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
DBS	3	Corporate	A review of the controls in place that ensure that staff DBS (Disclosure and Barring Service) checks are carried out appropriately.	L	25
PCC Lifeline	3	People & Communities	Advice relating to the proposal to charge people after first six weeks.	L	26
Syrian Refugee Befriender Contract	3	People & Communities	A review of contract management and/or open book reviews of the operation of this contract.	L	18
Chums Contract	3	People & Communities	A review of contract management and/or open book reviews of the operation of this contract.	L	18
TOTAL AUDIT DAYS					

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2020/21**

VISION FOR THE CITY

STRATEGIC PRIORITIES

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

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AUDIT COMMITTEE	AGENDA ITEM No. 9
13 JULY 2020	PUBLIC REPORT

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

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

R E C O 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. To consider the draft response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee meets all of the good practice statements; 2. To consider the draft responses to the CIPFA Knowledge and Skills Framework for local authority audit committees; and 3. To agree 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. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and effectiveness of the Audit Committee.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide Members with an update on progress in developing the audit plan
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.17

“To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice”.

3. TIMESCALES

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

4.1 INTRODUCTION

4.1.1 The Accounts and Audit Regulations 2015 state that each local authority shall at least annually, “conduct a review of the effectiveness of its system of internal audit”. The regulations go on to say that the findings of this review should be considered by a committee or members of the relevant body as a whole, as part of the wider consideration of the organisation’s system of internal control. This requirement is reiterated in the Internal Audit Charter which was last approved by the Committee in March 2019 (NB: This was scheduled for March 2020 but following cancellation of the committee is now on this agenda). The requirements for an effective internal audit function are set out in Public Sector Internal Audit Standards.

4.1.2 Members previously considered a report in March 2019 which reviewed the Committee’s effectiveness as the Council’s Audit Committee, using the CIPFA “Toolkit for Local Authority Audit Committees”. An update of this assessment is provided within the report. The report also contains an assessment against an existing good practice model in respect of the knowledge and skills expected of an effective audit committee to enable it to effectively discharge its duties.

4.2 CIPFA GUIDANCE ON AUDIT COMMITTEES

4.2.1 CIPFA published “Audit Committees - Practical Guidance for Local Authorities and Police”. The document sets out CIPFA’s guidance on the function and operation of audit committees, giving their view of best practice, and also includes their “Position Statement: Audit Committees in Local Authorities and Police Authorities”. The Position Statement (**Appendix A**) emphasise the importance of audit committees and their role as a key component of governance.

4.2.2 The Guidance states that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

4.2.3 The Guidance sets out the CIPFA position statement, then expands on:

- The purpose of Audit Committees;
- The core functions of an Audit Committee;
- Possible wider functions of an Audit Committee;
- Independence and accountability; and
- Membership and effectiveness (including potential causes of difficulty and potential improvement options)

4.2.4 The Guidance specifies the key regulations which can be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference. All of the good practice set out in the CIPFA Position Statement is incorporated within PCC's Audit Committee Terms of Reference.

4.2.5 CIPFA also produced a toolkit for local authority audit committees, which supports the objectives set out in the Guidance. The toolkit set out the following areas for consideration:

- Establishment, operation and duties of the committee;
- Role and remit;
- Membership, induction and training;
- Meetings;
- Internal control;
- Financial reporting and regulatory matters;
- Internal Audit;
- External Audit;
- Administration;
- Agenda management;
- Papers; and
- Actions arising

4.2.6 The toolkit contains an audit committee self-assessment checklist which has been reproduced in **Appendix B**. Officers have completed the checklist, which concludes that the Audit Committee demonstrates that it is meeting good practice. A key change introduced during the year is holding a pre-meeting with Members in the week before each Committee. This allows Members to go through the agenda / reports and to get an understanding from officers as to the key messages. It provides an opportunity for questions posed to be taken away so that they can be answered formally in the subsequent committee.

Nevertheless, Members may wish to consider the draft responses given to ensure they accurately reflect their views and agree appropriate actions for those areas they consider should be amended / enhanced.

4.2.7 To further assist Audit Committees, CIPFA also produced a Knowledge and Skills framework for Audit Committee members. A draft assessment has been compiled by officers (**Appendix C**). Core skills are identified in **Appendix D**.

5. CONSULTATION

5.1 The review has been circulated to Acting Corporate Director of Resources for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 It can be demonstrated that Audit Committee fulfils its terms of reference and meets best practice governance guidelines within the public sector.

7. REASON FOR THE RECOMMENDATION

- 7.1 To provide Members with an overview of the requirements and best practice for audit committees and allow for challenge.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

Financial Implications

- 9.1 The report does not give rise to any additional capital or revenue financial implications.

Legal Implications

- 9.2 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and
 - Includes effective arrangements for the management of risk.

Regulation 5 requires the Council to ensure it undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to the Audit Committee.

Equalities Implications

- 9.3 Not applicable.

10. BACKGROUND DOCUMENTS

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

- 10.1 None.

11. APPENDICES

- A: Key Attributes
- B: Compliance Self-Assessment
- C: Knowledge and Skills Framework
- D: Core Skills

CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES

Audit Committees are a key component of an authority's governance framework

Their function is to provide an independent and high-level resource to support good governance and strong public financial management

The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes

By overseeing Internal Audit and External Audit it makes an important contribution to ensuring that effective assurance arrangements are in place

The core functions of the Audit Committee are to:

Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievement of the authority's objectives.

In relation to the authority's Internal Audit functions:

- Oversee its independence, objectivity, performance and professionalism
- Support the effectiveness of the Internal Audit process
- Promote the effective use of Internal Audit within the assurance framework

Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations

Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.

Consider the reports and recommendations of External Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.

Support effective relationships between External Audit and Internal Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.

Review the financial statement, External Auditors opinion and reports to Members, and monitor management action in response to the issues raised by External Audit

Audit Committees can also support their authorities by understanding a wider role in other areas including:

Considering governance, risk or control matters at the request of other committees or statutory officers

Working with local standards committees to support ethical values and reviewing the arrangements to achieve these values

Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice

Providing oversight of other public reports, such as the Annual Report

Although no single model of Audit Committee is prescribed, all should:

Act as the principal non-executive, advisory function supporting those charged with governance

Be independent of both the executive and the scrutiny functions

Have clear rights of access to other committees / functions, corporate boards and other strategic bodies

Be properly accountable to the Council

Meet regularly - at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public

Be able to meet privately and separately with the External Auditor and with the Chief Internal Auditor

Include, as regular attendees, the Chief Financial Officer(s) or appropriate senior and qualified substitute, the Chief Executive, Chief Internal Auditor and the appointed External Auditor. Other attendees may include the Monitoring Officer

These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.

Report regularly on their work and, at least annually, report an assessment of their performance

Good Audit Committees are characterised by:

A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role

A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives

Unbiased attitudes - treating auditors, the executive and management fairly

The ability to challenge the executive and senior management when required

	Yes	No
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APPENDIX B

1...ESTABLISHMENT, OPERATION AND DUTIES																				
1.1 ROLE AND REMIT																				
1.1.1	<p>Does the Audit Committee have written terms of reference?</p>	✓																		
<p>Terms of Reference (ToR) can be found within:</p> <ul style="list-style-type: none"> • Constitution; • on Council website; and • Audit Committee Handbook <p>Regularly reviewed and is up to date with approval through Council as appropriate when Constitution amendments are made.</p> <p>Latest update of the Constitution (including details for the Audit Committee) was in July 2019.</p>																				
1.1.2	<p>Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance?</p>	✓																		
<p>Template used for ToR based upon CIPFA best practice. Incorporates arrangements for:</p> <ul style="list-style-type: none"> • Internal Audit (plans, outputs, commissioning works and reporting of recommendations) • External Audit (plans, outputs, commissioning of works and their appointment) • Governance matters (such as risk management; Regulation of Investigatory Powers; whistleblowing; anti-fraud measures; and arms-length Council company performance) • Accounting (scrutiny of the statement of accounts; annual governance statement; and the external auditors report into those accounts) 																				
1.1.3	<p>Are the terms of reference approved by the council and reviewed periodically?</p>	✓																		
<p>Updates to Constitution are all channelled through Council as appropriate (see 1.1.1).</p> <p>Last full update for Audit Committee was May 2019 (and published July 2019 on Council website).</p> <p>Main ToR remains as per best practice.</p>																				
1.1.4	<p>Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?</p>	✓																		
<p>Changes to committee numbers agreed each year at Council when establishing make up of each Committee.</p> <p>11/7/2012 Council agreed for Audit Committee to be exempt from political balance requirements under s.15 LG and Housing Act 1989. Current membership is 7.</p> <p>Membership following May 2019 Full Council is as per table below. (NB: Due to current pandemic, at time of review, there has not been a Full Council meeting held to reaffirm allocations or change appointments).</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 15%;">Party</th> <th style="width: 15%;">Conservative</th> <th style="width: 15%;">Labour</th> <th style="width: 15%;">Lib Dem</th> <th style="width: 15%;">Werrington First</th> <th style="width: 15%;">Green</th> </tr> </thead> <tbody> <tr> <td>Membership</td> <td>3</td> <td>3</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Reserve</td> <td>1</td> <td>1</td> <td>1</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Committee members are all elected Councillors in line with the Constitution, there are no "independent</p>			Party	Conservative	Labour	Lib Dem	Werrington First	Green	Membership	3	3	1	0	0	Reserve	1	1	1	0	0
Party	Conservative	Labour	Lib Dem	Werrington First	Green															
Membership	3	3	1	0	0															
Reserve	1	1	1	0	0															

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	<p>persons” on the Committee.</p> <p>Training is provided to members on request basis and linked to the agenda items.</p> <p>To tie in with the first meeting each municipal year, this includes an overview of the workings of the Committee for all Members so as to provide initial support for new representatives together with details of the final accounts.</p> <p>Previous training has been provided to cover risk management, RIPA and the differences between internal audit and external audit.</p> <p>Best practice briefings are provided to Members as and when received from professional bodies.</p> <p>Following despatch of Audit Committee papers one week prior to each meeting, a pre-meet is held between officers and members to provide an overview as to the papers to be discussed as well as to receive questions to be posed to enable potential research etc. so that they can be addressed at the Committee itself.</p>		
1.1.5	<p>Can the Audit Committee access other committees and full council as necessary?</p> <p>Members are also on other Committees in line with their political party proportionate allocation and all are expected to attend Full Council.</p> <p>An Annual report on Audit Committee activity is provided to Full Council for information. (There is an expectation that Chair would discuss at the meeting, but could be an issue if they lose seat in local elections). The latest version was submitted to Audit Committee in March 2020, albeit that meeting was cancelled.</p> <p>Issues raised within Audit Committee which are deemed not to be within the remit of the committee are referred through to the appropriate committee.</p> <p>With the creation of the Shareholder Cabinet Sub-Committee, there will be a number of reports / links required going forward.</p>	✓	
1.1.6	<p>Does the authority's Annual Governance Statement (AGS) include a description of the Audit Committee's establishment and activities?</p> <p>AGS produced by Chief Internal Auditor (CIA) and responsibility for it is with Acting Corporate Director of Resources in line with prescribed best practice.</p> <p>The draft is submitted as part of statement of accounts deadlines and independently checked by External Audit to confirm approach and its content.</p> <p>Reference is made within the document to the role of the Audit Committee.</p>	✓	
1.1.7	<p>Does the Audit Committee periodically assess its own effectiveness?</p> <p>Current effectiveness review has been completed by CIA.</p> <p>No separate independent review undertaken, however report to Audit Committee July 2020 provides opportunity for challenge by Members.</p> <p>A separate assessment against the CIPFA Knowledge and Skills Framework is also included.</p> <p>Membership numbers are reviewed as part of overall allocation to committees, approved through Council each year.</p>	✓	
1.1.8	<p>Does the Audit Committee make a formal annual report on its work and performance during the year to full council?</p> <p>Annual report is produced each year by Democratic Services (based on a standard template) in March each year. This is referred to Full Council following consideration / agreement at Audit Committee. (NB: March 2020 meeting was cancelled).</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
1.2	MEMBERSHIP, INDUCTION AND TRAINING		
1.2.1	Has the membership of the committee been formally agreed and a quorum set?	✓	
	Annual membership review each year (May). Full Council approval required (based on political proportionality) Quorum level set at 4 (based on current level of 7).		
1.2.2	Is the chair independent of the executive function?	✓	
	Chair is not on Cabinet, but member of the main party. On creation of the Audit Committee, decision taken that membership should be only elected Members, with no independent representation although this can be reviewed.		
1.2.3	Has the Audit Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	✓	
	Training has been provided to all councillors when needed. This has included final accounts; risk management; role of members on the audit committee; governance arrangements; financial and contract rules; and standards. All members are provided with access to the Audit Committee Handbook and best practice briefings are circulated when received.		
1.2.4	Are new Audit Committee members provided with an appropriate induction?	✓	
	Standardised work programme set out for the year and training offered around each of those areas to ensure focussed discussions.		
1.2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	✓	
	Training has been provided to members based around key aspects of the committee agendas, such as: <ul style="list-style-type: none"> • Introduction to governance • Risk management • Final accounts and the governance statement • Treasury Management Democratic Services assess all member training needs.		
1.2.6	Has each member declared his or her business interests?	✓	
	Member interests are recorded on website in accordance with the schemes requirements. During 2019 / 2020 meetings, no declarations have been made before (or during) Audit Committees.		
1.2.7	Are members sufficiently independent of the other key committees of the council?	✓	
	No members on Audit Committee are on Cabinet. Cabinet Member for Finance as a point of principle does attend Audit Committee in an observation		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	capacity, although does contribute to items if required. (Does not have voting rights). All Members are on separate Committees		
1.3	MEETINGS		
1.3.1	Does the Audit Committee meet regularly?	✓	
	Set timetable agreed each year / with prescribed timings for the key reports. For example. <ul style="list-style-type: none"> July (Final accounts / AGS / Audit Opinion) September (strategic risks / annual audit letter) November (audit progress) January / February (grant claims / strategic risks / treasury) March (IA / EA plans) Other activities programmed throughout year cover fraud, governance, use of RIPA and approvals of write offs exceeding £10,000.		
1.3.2	Do the terms of reference set out the frequency of meetings?	✓	
	Work programme identified each year sets out the key activities and timelines for delivery – but this is not set out within the ToR.		
1.3.3	Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?	✓	
	Work Programme produced complies with statutory dates for reporting.		
1.3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓	
	Annual report sets out level of attendance and are documented on website against each committee agenda. Substitutes are available if needed to ensure quorate and offset apologies. There has been no matters arising from the need for necessary actions if members are not regularly present.		
1.3.5	Are meetings free / open without political influences being displayed?	✓	
	While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines. In addition, the committee is exempt from political balance requirements (see 1.1.4)		
1.3.6	Does the s151 officer or deputy attend all meetings?	✓	
	Acting Corporate Director of Resources (s151) present at each meeting.		
1.3.7	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?	✓	
	Committee is supported by a permanent clerk from Democratic Services. Acting Corporate Director of Resources and Chief Internal Auditor are always in attendance. Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
2...INTERNAL CONTROL			
2.1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit?	✓	
	Annual report produced each year for review as part of the consideration for the AGS.		
2.2	Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓	
	Agenda items are structured so that it is considered before final accounts each year Members have been provided with commentary as to the background and compilation of data for the AGS.		
2.3	Does the Audit Committee consider how meaningful the AGS is?	✓	
	Advice on the reasoning behind the AGS and how to challenge and understand it are provided in the Audit Committee Handbook and with occasional training sessions. All committee reports provide full details / background information in order to make informed decisions in line with corporate templates. External Audit comments in relation to the AGS also referred to the Committee		
2.4	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓	
	Reporting on adequacy of controls are within the Internal Audit progress reports to committee and the annual opinion. Previous review of effectiveness of Internal Audit also reported upon. Each report is discussed as appropriate, minuted and agreed.		
2.5	Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management?	N/a	N/a
	Committee are responsible for monitoring the effective development and operation of risk management in the Council.		
2.6	Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"	✓	
	Part of Audit Committee remit and previously covered. Guidelines issued by CIPFA in October 2014. Policies are reviewed against these on an annual basis. Last submitted to Audit Committee in March 2020 (cancelled meeting) and are rescheduled for July 2020. They continue to meet best practice		
2.7	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	✓	
	There is an annual report produced in relation to investigations / compliance which covers the works of the Investigations team. Separate reports are also issued in relation to the National Fraud Initiative (Strategy and progress reports) as well as "Fighting Fraud and Corruption Locally"		
2.8	Is the Audit Committee made aware of the role of risk management in the	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	preparation of the internal audit plan?		
	Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed. A revised approach has been formalised since 2018 and was included on the agenda in February each year to identify emerging issues. Training has been provided to Members on the role of Internal Audit and how it focusses its works around establishing appropriate mechanisms in place to reduce the risks. The full audit plans are provided annually in the March committee cycle.		
2.9	Does the Audit Committee review the authority's strategic risk register at least annually?	✓	
	Risk register issued to Audit Committee as a high level document, usually every 6 months, subject to review being undertaken by CMT. Risk management being refreshed (as is all Boards) and meaningful dialogue in place with Members to ensure challenge / buy in.		
2.10	Does the Audit Committee monitor how the authority assesses its risk?	✓	
	Risks are reported to committee and actions taken to mitigate are challenged. Suggestions are made for areas that should be included.		
2.11	Do the Audit Committee's terms of reference include oversight of the risk management process?	✓	
	Yes		
3...FINANCIAL REPORTING AND REGULATORY MATTERS			
3.1	Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	✓	
	Defined within ToR in line with best practice		
3.2	Does the audit committee consider specifically:		
	The suitability of accounting policies and treatments	✓	
	Set out in final accounts updates / reports and overview given as part of training prior to agenda		
	Major judgements made	✓	
	Commentary is included in the final account statements and are reviewed by members and External Audit. No misstatements have been identified.		
	Large write offs	✓	
	Write offs over £10,000 are a standing item on the Audit Committee agenda. The last write off report was submitted to Audit Committee in February 2019.		
	Changes in accounting treatment	✓	
	Set out in final accounts updates / reports and overview given as part of training prior to agenda		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	The reasonableness of accounting estimates / narrative aspects of reporting Will be more prominent as quicker account closures introduced. External Audit works earlier in year to reduce the potential levels of estimates Accounting reports follow prescribed best practice and are reviewed by Members and External Audit	✓	
3.3	Is the Audit Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit? Covered during the July cycle (subject to accounts been able to be closed)	✓	
3.4	Does the Audit Committee review the management's letter of representation? See 3.3 above	✓	
3.5	Does the Audit Committee annually review the accounting policies of the authority? See 3.2 above	✓	
3.6	Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts? Annual training is provided to Audit Committee members prior to review of the statement of accounts	✓	
3.7	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training? Training is provided on key aspects of the agenda. Information circulars received from CIPFA are incorporated into the Handbook.	✓	
4...INTERNAL AUDIT			
4.1	Does the committee approve, annually the Internal Audit strategic and annual plans including consideration of whether the scope of Internal Audit work addresses the authority's significant risks? Annually, March committee cycle receives: <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Plan • Internal Audit Charter • Internal Audit Code of Ethics 	✓	
4.2	Does Internal Audit have an appropriate reporting line to the Audit Committee? CIA has direct access and freedom to report to all officers / members and particularly to those charged with governance e.g. Chief Executive; Monitoring Officer; s151 Officer; Deputy s151.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	Meetings are held with Chair of Audit Committee (briefings) when required Monthly meetings are held with Cabinet Member for Finance		
4.3	Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit?	✓	
	Following agreement of audit plan, there is a half year progress report followed by an annual report and opinion Separate report produced on emerging issues to develop future works.		
4.4	Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations?	✓	
	Recorded on progress reports of all audit activities undertaken.		
4.5	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?		✓
	Constitution does not allow for private meetings to be held		
4.6	Is there appropriate cooperation between the internal / external auditors?	✓	
	Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication. Progress meetings are held.		
4.7	Does the Audit Committee review the adequacy of Internal Audit staffing and other resources?	✓	
	Resource levels are identified within the annual planning process to establish work plans.		
4.8	Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards?	✓	
	Internal Audit service was externally assessed in 2018 and their report submitted to Audit Committee in February 2019. The service was fully compliant.		
4.9	Are Internal Audit performance measures monitored by committee?	✓	
	Reported as part of the annual audit opinion. However, these will look to be reviewed as part of accreditation process action plan		
4.10	Has the Audit Committee considered the information it wishes to receive from Internal Audit?	✓	
	A standard work programme is in place based on known requirements to meet statutory needs for all aspects which are delivered through the committee.		
5...EXTERNAL AUDIT			
5.1	Do the external auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	Annual report at same time as Internal Audit		
5.2	Does the Audit Committee hold periodic private discussions with the external auditor?		✓
	See 4.5		
5.3	Does the Audit Committee review the external auditor's annual report to those charged with governance?	✓	
	Annual report on the work programme		
5.4	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓	
	Regular progress reports are produced		
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	✓	
	Only external audit reports are referred to Audit Committee		
5.6	Does the Audit Committee assess the performance of external audit?	✓	
	All reports reviewed in line with the committee work programme. Consultation was in place for the appointment of new auditors through the PSAA contracts.		
5.7	Does the Audit Committee consider / approve the external audit fee?	✓	
	Considered by Cabinet and endorsed by Audit Committee		
6...ADMINISTRATION			
6.1	AGENDA MANAGEMENT		
6.1.1	Does the Audit Committee have a designated secretary from Committee / Member Services?	✓	
	Audit Committee is a formal committee with representation from Democratic Services		
6.1.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	✓	
	Papers issued in accordance with council requirements In the week before the Committee meeting, a pre-meet is held to enable officers / members to discuss the reports. This allows officers to receive questions from Members which can then be researched (if necessary) so as to provide comprehensive answers at the actual committee.		
6.1.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓	
	Work programme established which maps business needs		
6.1.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2020

	Issue / Evidence / Suggested Improvement	Yes	No
	Not a standard agenda item. However, Members are encouraged to provide information at the meeting which can be considered in future by Audit Committee (such as training), or referred to the appropriate committee.		
6.2	PAPERS		
6.2.1	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓	
	Standard report format		
6.2.2	Does the Audit Committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	✓	
	Standard committee template utilised		
6.3	ACTIONS ARISING		
6.3.1	Are minutes prepared and circulated promptly to the appropriate people?	✓	
	Circulated following meeting and agreed at next		
6.3.2	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	✓	
	Standard item on the agenda which highlights actions made and how they have been resolved		
6.3.3	Do action points indicate who is to perform what and by when?	✓	
	As 6.3.2		

Steve Crabtree
Chief Internal Auditor
June 2020

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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APPENDIX C

ORGANISATIONAL KNOWLEDGE		
An overview of the governance structures of the authority and decision-making processes	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external reports and risk registers.	Member development through committee briefings and training sessions as appropriate <u>Reports:</u> <ul style="list-style-type: none"> • AGS (July committee cycle) • Annual Audit Opinion (July committee cycle) • External Audit Opinion (Annually)
Knowledge of the organisational objectives and major functions of the authority		<u>Training:</u> <ul style="list-style-type: none"> • Statement of Accounts training (June 2019) • AGS (June 2019) • Others as appropriate throughout year <u>Reports:</u> <ul style="list-style-type: none"> • Statement of Accounts: (Annually – July committee) • AGS (Annually - July committee)

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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AUDIT COMMITTEE ROLE AND FUNCTIONS		
An understanding of the audit committee's role and place within the governance structures	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others	Regular pre-meeting briefings to run through agenda / reports to understand decisions required, background and reasons etc. Audit Committee Handbook Training for all members at start of municipal year
Familiarity with the committee's terms of reference and accountability arrangements		Audit Committee Annual report: March 2019, July 2020 New member training (including accounts): June 2019
Knowledge of the purpose and role of the audit committee	The committee will plan the assurances it is to receive in order to adequately support the AGS	Annual reports to July meetings include <ul style="list-style-type: none"> • Statement of Accounts • Annual Governance Statement • Annual Audit Opinion • Annual Investigations Report • Annual Audit Committee report: (usually March)
Governance Knowledge of the six principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the AGS	The committee will review the AGS and consider how the authority is meeting the principles of good governance	AGS report July 2020
Knowledge of the Local Code of Governance	The committee will review the AGS and consider how the authority is meeting the principles of good governance	Local Code of Corporate Governance: July 2018 (referenced in AGS)

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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INTERNAL AUDIT		
An awareness of the key principles of the Public Sector Internal Audit Standards	The committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards	July 2020 Committee reports include: <ul style="list-style-type: none"> • Internal Audit Charter • Internal Audit Strategy • Internal Audit Plans (Usual arrangements as part of March cycle – cancelled this year)
Knowledge of the arrangements for delivering	The committee will review the assurances from internal audit work and will review the risk based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards	Audit updates to committee ½ year progress report Annual Audit Opinion report
	In relying on the work of Internal Audit, the committee will need to be confident that professional standards are being followed	Public Sector Internal Audit Standards (full compliant report): February 2019

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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FINANCIAL MONITORING AND ACCOUNTING		
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing the financial statements prior to publication, asking questions	Statement of Accounts: Annually to July committee
Understanding of good financial management principles	Reviewing the External Audit report and opinion on the financial audit Reviewing both Internal and External Audit recommendations relating to financial management and controls.	Audit outcome and management responses to the Annual Audit Letter: September 2019
Knowledge of how the organisation meets the requirement of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government	Committee should consider role of the Chief Financial Officer and how this is met when reviewing the AGS	Annual Governance Statement: July 2020

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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EXTERNAL AUDIT		
Knowledge of the role and functions of the external auditor and who currently undertakes this role	The committee should meet with the External Auditor regularly and receive their reports and opinions.	Based on committee timetables Ongoing
Knowledge of the key reports and assurances that external audit will provide	Monitoring External Audit recommendations and maximising benefits from audit process	Based on committee timetables Ongoing
Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken	The committee should monitor the relationship between the External Auditor and the authority and support the delivery of an effective service.	Based on committee timetables Ongoing

RISK MANAGEMENT		
Understanding of the principles of risk management, including linkage to good governance and decision making	In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces	Strategic Risk Register analysis reports: September 2019
Knowledge of the risk management policy and strategy of the organisation	Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based audit plans and the explanatory foreword of the accounts	September 2019
Understanding of risk governance arrangements, including the role of members and of the audit committee	Typically risk registers will be used to inform the committee The committee should also review reports and action plans to develop the application of risk management practice	Annual review of Risk Strategy

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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COUNTER FRAUD		
<p>An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy</p>	<p>Committee reports:</p> <ul style="list-style-type: none"> • Annual Audit Opinion July 2020 • Annual Investigations report July 2019 • Fraud Strategy March 2018 • Anti-Fraud policies July 2020
<p>Knowledge of the organisations arrangements for tackling fraud</p>	<p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing the assessment</p>	<p>Annual Audit Opinion: June 2020</p>

VALUES OF GOOD GOVERNANCE		
<p>Knowledge of the seven principles of public life</p>	<p>The committee members will draw on this knowledge when reviewing governance issues and the AGS</p>	<p>Audit Committee Handbook Member Code of Conduct</p>
<p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p>	<p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS</p>	<p>Annual Audit Opinion Annual Investigations report Anti-Fraud policies</p>
<p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>Committee member should know to whom concerns should be reported</p>	<p>Whistleblowing policy: March 2018</p>

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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TREASURY MANAGEMENT		
<p>“Effective scrutiny of treasury management” is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> • Regulatory requirements • Treasury risks • The organisations treasury management strategy • The organisations policies and procedures in relation to treasury management 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</p>	<p>Policy / Strategy: September 2019; February 2020</p>

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<p>STRATEGIC THINKING AND UNDERSTANDING OF MATERIALITY</p> <p>Able to focus on material issues and overall position, rather than being side-tracked by detail</p>	<p>When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures.</p> <p>The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.</p>
<p>QUESTIONING AND CONSTRUCTIVE CHALLENGE</p> <p>Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding</p>	<p>The Committee will review reports and recommendations to address weaknesses in internal control.</p> <p>The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>
<p>FOCUS ON IMPROVEMENT</p> <p>Ensuring there is a clear plan of action and allocation of responsibility.</p>	<p>The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities.</p> <p>Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.</p>
<p>ABLE TO BALANCE PRACTICALITY AGAINST THEORY</p> <p>Able to understand the practical implications of recommendations to understand how they might work in practice.</p>	<p>The Committee should seek assurances that planned actions are practical and realistic.</p>
<p>CLEAR COMMUNICATION SKILLS AND FOCUS ON THE NEEDS OF USERS</p> <p>Support the use of plain English in communications, avoiding jargon, acronyms, etc.</p>	<p>The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.</p>
<p>OBJECTIVITY</p> <p>Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.</p>	<p>The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.</p>
<p>MEETING MANAGEMENT SKILLS</p> <p>Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.</p>	<p>These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda.</p> <p>The skills are desirable for all other members.</p>

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AUDIT COMMITTEE	AGENDA ITEM No. 10
13 JULY 2020	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Finance	
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 2019/20

RECOMMENDATIONS	
FROM: Acting Director of Corporate Resources	Deadline date: 12 June 2020
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the final outturn position for 2019/20 (subject to finalisation of the statutory Statement of Accounts) of a £0.096m underspend on the Council's revenue budget; 2. Note the reserves position outlined in section 6 and Appendix B, which includes a contribution to the capacity building reserve of £0.096m, as a result of underspend in the revenue outturn report details contained in Appendix A; 3. Note the implications of the COVID-19 pandemic on the Council's financial position, as outlined within section 5 and Appendix E; 4. Note the outturn spending of £64.3m in the Council's capital programme in 2019/20 outlined in section 7; 5. Note the performance against the prudential indicators outlined in Appendix C; 6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D. 7. Approve the amendment to the Treasury Management Strategy to reflect the Business Improvement District loan outlined in section 7. 	

1.0 ORIGIN OF THE REPORT

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

2.0 PURPOSE AND REASON FOR REPORT

2.1 The report provides Audit Committee with the outturn position for both the revenue budget and capital programme for 2019/20, subject to any changes required in the finalisation of the Statement of Accounts.

2.2 The report contains performance information on the payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

2.3 The report is for Audit Committee to consider under its terms of reference 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.”

3.0 TIMESCALE

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	n/a
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4.0 CORPORATE BUDGET OVERVIEW

Budget 2019/20

4.1 On 6 March 2019 Council approved a balanced budget for 2019/20. The approved budget included plans for £20.7m of savings and the recognition of £11.0m of additional service pressures from increasing costs and increases in demand for services.

4.2 The budget incorporated the use of £3.1m from the Grant Equalisation (GE) reserve. This reserve was created in 2015/16 to mitigate the impact of reduced government grant, protecting as far as possible the delivery of services, whilst enabling officers time to develop a sustainable budget.

4.3 Non-repeatable savings were included in the budget, such as the use of capital receipts, council tax surplus and the use of the reserves, as mentioned in point 4.2. These are outlined in Table 1. The Council has used additional funding to deliver a balanced outturn following the Secretary of State approval to borrowing £5.6m to fund revenue expenditure (Capitalisation Direction). This has funded transformational activities undertaken during the year which lead to longer term savings and a more sustainable operating environment. For further detail see sections 5.11-12.

Table 1: Non-repeatable Savings

	Prior Years		Current Year	Years relating to this MTFS		
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Receipts	12,738	2,922	10,639	3,930	-	-
MRP Re-provision	-	3,700	-	-	-	-
Council Tax Collection Fund Surplus	173	1,188	201	662	-	-
Business Rates Pool & Provision Release	-	-	-	3,231	-	-
Capitalisation direction	-	-	5,564	1,217	-	-
Planned use of Reserves	7,194	4,231	3,084	1,510	-	-
Total	20,105	12,041	19,488	10,550	-	-
In year use of Reserves	-	2,119	-	-	-	-
In year increased Use of Capital Receipts	-	3,298	235	-	-	-
Total	20,105	17,458	19,723	10,550	-	-

In-year Budget Management

- 4.4 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 has been considered by Cabinet on a regular basis throughout 2019/20.
- 4.5 A balanced budget was set for 2019/20 however as contained in the MTFs detailed plans for some of the savings proposals were not developed in time for the first reporting round and a forecast overspend of £5.5m was reported in the April 2019 Budgetary Control Report, reported to Cabinet on 10 June 2019. The main variance reported relating to the shared services savings targets.
- 4.6 In July 2019 the CMT implemented a series of financial management controls, designed to reduce the forecast overspend by enhancing the level of scrutiny applied to all expenditure activities and to minimise non-essential spend. These controls include:
- A panel to review all recruitment and agency requests;
 - Business case requirement for all expenditure in excess of £10k;
 - Service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance Officer;
 - In November, controls were enhanced, with all expenditure over £1k requiring Chief Finance Officer approval;
 - A review of the effectiveness and operation of financial and human resource controls across the organisation;
- 4.7 A review of the robustness of all current budget assumptions was undertaken during the summer. This identified a 2019/20 budget pressure of £6.0m, with the ongoing underlying budget pressure of £9.8m. Departmental in year savings targets were established and CMT identified £4.8m of specific savings against these targets. In combination with the enhanced spending controls listed above, forecasted expenditure reduced throughout the year.
- 4.8 Other 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 reported in Budgetary Control Reports throughout the year.
 - The establishment of a Financial Improvement Programme Management Board (FIPMB), dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new savings plans and ensuring the delivery of financial targets.
 - Regular reports to CMT have included a summary of progress on the delivery of savings proposals. Savings delivery has been monitored by the Rapid Implementation Team (RIT), which was established in September 2019.
 - Regular review of additional budget pressures and risks, in order to identify mitigating actions to reduce the council's expenditure.
 - An officer led Capital Review Group has met on a regular basis. This group has the responsibility of reviewing and reporting 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 is required 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 from asset sales.
 - Scrutinising capital investment proposals relieving pressure on the general fund.

- Reviewing new capital project proposals to ensure value for money and are truly necessary projects.
- Thorough review of the reserves' balances including a review of the future planned use of reserves.
- The Risk Management Board has met regularly throughout the year, led by the Acting Corporate Director of Resources. The purpose of this board is to challenge and support risk management across the council and partner organisations and reports corporate and departmental risks into CMT.

4.9 The January 2020 Budget Control Report was published on the Councils [‘Our Finances’ webpage](#). This was originally scheduled to go to Cabinet on 30 March 2020, but in response to the COVID-19 social distancing measures all public meetings were cancelled. This report outlined a £3.5m forecast outturn overspend.

4.10 The Council’s final position is an underspend of £0.096m which contributes to the Capacity Building Reserve balance. The final outturn position for 2019/20 is outlined in a summary table in Section 5, with detailed information in Appendix A.

4.11 The Council’s finance and service-based officers have worked extremely hard throughout the course of the year to achieve this final financial position. Officers have shown enthusiasm and dedication to ensure the Council’s financial position remains viable, while ensuring services continue to be delivered. Officers have worked together with the CMT to reduce expenditure by implementing the enhanced financial controls and generating new ideas to save money, increase income generation or create efficiencies within the existing Council processes.

Medium Term Financial Strategy

4.12 The Council has been able to set a balanced budget for 2020/21, as a result of identifying budget reductions, additional funding and the use of one-off savings (as outlined within Table 1). However, with deficits of £14.2m in 2021/22 and £14.8m in 2022/23, the Council needs to put in place structural organisational change, to deliver the required level of expenditure reduction to operate within its financial envelope and secure the Council’s future.

4.13 The CMT have undertaken a Lean Cost Structure Review (LCSR) to develop a revised operating model for the Council. The Council has continued to work with Grant Thornton to investigate and challenge existing service delivery. The Council has accessed expertise and support from the Local Government Association (LGA). The LCSR findings will result in:

- Reduced contractual expenditure and a tighter contract management.
- Redesign of delivery of services including:
 - Delivering services at a lower cost, enhanced value for money, and more efficient manner;
 - Providing a lower level of services or make them ‘leaner’.
 - Reduction in service provision.
- Cost reduction, sharing and integration.

4.14 The Council was originally scheduled to take an options paper to Cabinet in spring, with a final model being recommended for approval in summer. However, due to the pandemic the timescales have slipped in order to for the CMT and officers to focus on the COVID-19 response to support businesses, residents and the community. Additional funding from central government has been made available in 2020/21 for COVID-19 expenses. However, ambiguity remains on the total quantum of funding available in response to the emergency and the ongoing medium to longer term impact of the pandemic to the council.

4.15 The delivery of the LCSR remains a key priority for the Council to ensure the delivery of a balanced budget in 2021/22. The financial envelope of the Council means that transformational change to council services is required and this position is further impacted by COVID-19 implications. For further detail see sections 5.13-15 and Appendix E.

4.16 At this stage the Council has assumed that key funding streams will remain unchanged from the Local Governments Fair Funding Review (FFR). However, on 28 April MHCLG have confirmed that the FFR and the anticipated changes to the Business Rates system have all been postponed adding to the Council's uncertainty over future funding levels.

5.0 FINAL REVENUE OUTTTURN 2019/20

5.1 The Council's overall revenue outturn shows an underspend of £0.096m for 2019/20. The table below summarises the revenue outturn position by directorates during 2019/20.

Table 2: Revenue outturn 2019/20

Directorate	Budget	Cont. from Reserve	Revised Budget	Actual	Cont. to Reserve	Revised Variance
	£000	£000	£000	£000	£000	£000
Chief Executive	1,526	284	1,810	1,584	-	(226)
Governance	4,273	71	4,344	4,393	-	49
Place & Economy	18,189	1,012	19,201	18,501	83	(618)
People & Communities	71,559	3,391	74,950	76,930	1,004	2,985
Public Health	(164)	392	228	241	-	13
Resources	44,678	4,843	49,521	44,949	3,680	(893)
Customer & Digital Services	7,256	509	7,765	7,783	-	18
Business Improvement	764	361	1,125	1,071	-	(54)
Directorate Outturn	148,081	10,863	158,944	155,452	4,767	1,274
Capitalisation Direction applied	-	-	-	(5,564)	-	(5,564)
Asset Sales shortfall	(2,821)	-	(2,821)	-	-	2,821
CCG- Credit notes	-	-	-	1,631	-	1,631
Financing Adjustment (Business Rates Levy Surplus)	-	-	-	(258)	-	(258)
Revised Outturn	145,260	10,863	156,123	151,261	4,767	(96)
Contribution to the Capacity Building Reserve						(96)
Final Variance						Nil

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

5.3 In summary the directorate service budgets show an overall overspend of £1.3m, which is a £2.2m (63.6%) improvement against the January 2020 £3.5m forecast outturn overspend. The movement between the last forecast outturn and final position is summarised in Table 3.

Table 3: Departmental Variance Summary

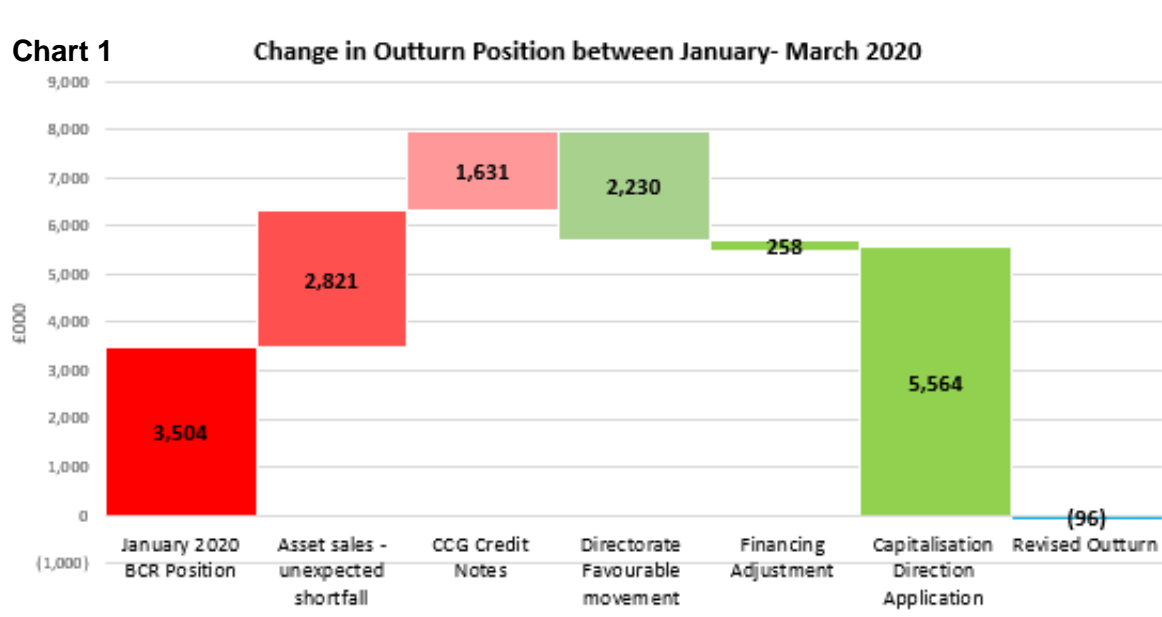
Variance Change	£000
January 2020 position	3,504
Chief Executive	(51)
Governance	46
Place & Economy	(751)
People & Communities	(510)
Public Health	(48)
Resources	(548)

Variance Change	£000
Customer & Digital Services	(369)
Business Improvement	1
Outturn position	1,274

5.4 Larger movements which incurred late in the year include:

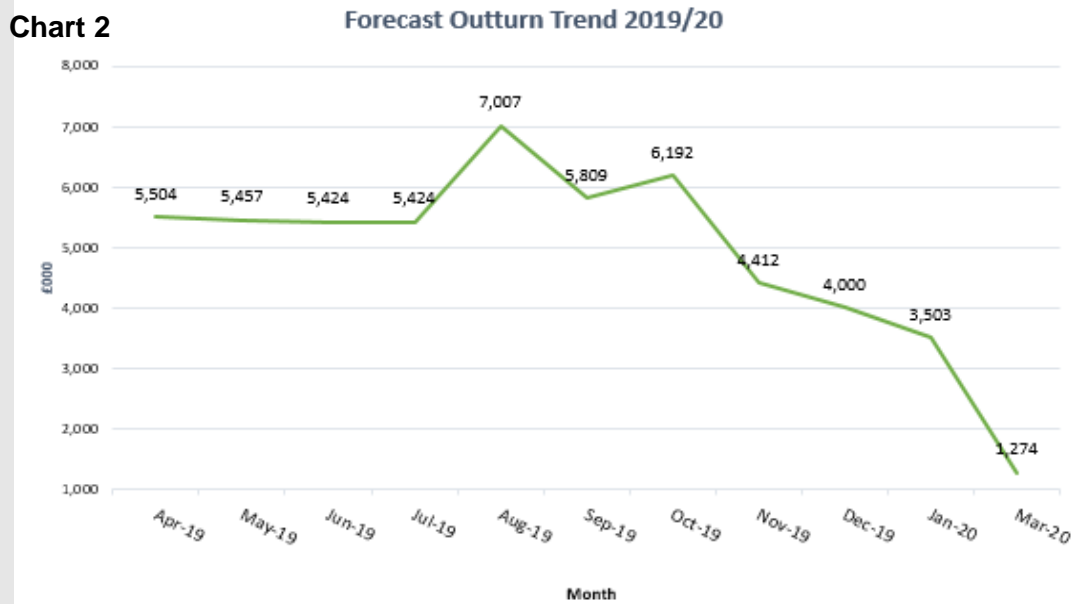
- A shortfall on the previously forecast level of capital receipts from a reduction in completed asset sales following implementation of COVID-19 restrictions.
- The issue of credit notes to prior year invoicing discrepancies with Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).
- The application of the capitalisation direction which enabled the council to borrow to fund revenue expenditure. This is outlined in more detail in sections 5.12-14.

5.5 Chart 1 summarises the movement from January 2020 forecast outturn position to final outturn.



5.6 The CMT have implemented a series of actions including enhanced financial management and HR controls, and a full review of the all current budget to ensure robustness and appropriateness of all assumptions. External advice and support has been utilised, with the CMT and senior officers working collaboratively with Grant Thornton on the development and implementation of savings proposals.

5.7 Chart 2 outlines the directorate forecast outturn variance reported throughout 2019/20. This tracks the forecast outturn overspend and the reduction following implementation of spending and HR controls, detailed reviews of the capital programme and the early implementation of 2020/21 savings plans leading to the improved position.



* note no BCR reporting completed in February

- 5.8 In July 2019 the Council received a structural review report of the Northminster car park. The report highlighted significant concerns for the structural integrity of the car park, which could pose a risk to the general public. The Council considered the options available and concluded to demolish the carpark with it closing to the public. The Council sought approval for this action and the associated £2.75m forecast costs via [CMDN](#) published in August and has since published further information on the [website](#), including the structural review reports. This created additional financial burden to the Council, from the one-off costs from moving operations and demolition, to the ongoing revenue budget implications from the loss of carpark income.
- 5.9 The Council launched a Voluntary Redundancy (VR) scheme in January 2020 to deliver savings. The redundancy costs from this scheme and others incurred as part of the delivery of specific service-based savings plans are expected to cost £6.6m.
- 5.10 With the in-year position forecasting an overspend, the additional costs of transformation required to deliver the level of change required for the Council to operate within its financial envelope, and additional financial pressures from the Northminster Carpark, the Council's financial resilience was reduced. As outlined in the MTFs Robustness Statement the reserves balances were forecast to reduce to a perilously low level. As a result, and in consultation with Local Members of Parliament, the Council made an application to MHCLG for a Capitalisation Direction to enable the council to fund revenue expenditure from borrowing. This application was approved and has enabled the Council to have sufficient resilience to be able to react to emergencies and develop the LCSR proposals.

Capitalisation Direction

- 5.11 In January 2020 the Council made an application to MHCLG to fund the costs of transformational activities, including expenditure incurred through acceptance of voluntary redundancies, from borrowing (Capitalisation Direction). The Secretary of State has the power, under section 16(2)(b) of the Local Government Act 2003, to issue such a Direction. The effect of a direction is that specified revenue expenditure may be funded from capital sources e.g. borrowing, thereby increasing a local authority's financial flexibility.
- 5.12 MHCLG wrote to the Council on 30 March 2020 to confirm that a Capitalisation Direction up to a total of £6.9m (£5.7m in 2019/20 and £1.2m in 2020/21) had received approval and could be applied to the appropriate expenditure. In 2019/20 the Council has identified and applied

£5.6m to transformational expenditure. The approved Capitalisation Direction is £2.1m short of the £9.0m applied for by the Council. This shortfall has contributed to reduced reserve levels in the medium term, in comparison to those projected within the [Medium Term Financial Plan 2020/21-2022/23](#).

Coronavirus COVID-19

5.13 On the 24 March 2020 the Council declared a critical incident which enabled the Council to enact the emergency policy. This provides the Council with:

- Governance structure of Gold, Silver and Bronze Command Groups to operate, with regular diarised meetings to ensure swift and effective decision making takes place, and actions are implemented.
- Additional guidance to ensure that vital services are delivered by redeploying staff to key roles and staffing levels are maintained to deliver vital services.
- Business Continuity Plans are reviewed and daily communication to the organisation is undertaken via email and on the intranet site.

5.14 The Council responded quickly to the COVID-19 pandemic, to maintain key services and to provide the additional support to the community and businesses. A Coordination Hub has been established in partnership with other Local Councils and is focused on supporting those residents that are at the highest risk and those that have no reliable support network. The hub is ensuring that critical services across the public sector, such as care for the elderly, can continue through the support of staff who have been redeployed from other Council services, partner organisations and the support of volunteers. This work includes ensuring our most vulnerable residents have access to food, medicines and other important supplies, as well as ensuring broader social needs are met as far as possible. With the introduction of the social distancing measures the Council has transitioned to a working from home model, building on the already successful agile working policy. The Council has provided support, advice and flexibility to staff to ensure services can continue and staff wellbeing is considered and actively managed.

5.15 The impact of the pandemic will affect the Councils financial position in the current 2020/21 financial year, and the financial position in the medium term. These are outlined in further detail within Appendix E.

6.0 RESERVES

6.1 The Council's reserve balances are monitored throughout the year as part of the BCR process and feed into the budget setting process. Table 6 summarises the balance for all reserves at the beginning of 2019/20 and end of 2019/20, and the forecast position for future years. A more detailed outline of the reserves is outlined in Appendix B.

Table 6: Council Reserves Summary Position

Summary of Reserves	Balance at 31.03.19	Balance at 31.03.20	Est. Balance at 31.03.21	Est. Balance at 31.03.22
	£000	£000	£000	£000
General Fund	6,000	5,111	6,000	6,000
Usable Reserves (inc. COVID-19 funding)	26,076	23,401	7,429	7,429
Ring-Fenced Reserves	5,140	4,063	4,054	4,054
Total Earmarked & General Fund Balance	37,217	32,575	17,483	17,483

6.2 The balance on reserves at the end of 2020/21 is favourable compared to the estimated balance contained in the MTFs. It was estimated that the balance for earmarked reserves and General Fund would be £22.4m, compared to £32.6m outlined in Table 6. Contributory factors include:

- The receipt of the £5.3m COVID-19 response fund on 27 March 2020 which was identified as un-ringfenced and will be used in 2020/21 to cover the additional cost incurred as a result of the pandemic.
- Improvement on the BCR position in comparison to that outlined in the MTFs and the January BCR report.
- A change in the profiling of commitments on the departmental reserves balances - originally it was anticipated that the majority of this balance would be utilised within 2019/20, but a combination of further grants being received and a change in the timing of planned expenditure has meant that the balance was £3.9m greater than forecast.
- A change in the timing of expenditure relating to transformational activity committed from the Capacity Building Reserve.
- A reduction in the commitment relating to the Northminster car park demolition. A commitment of £2.75m was included within the reserves forecast in July, and over the course of the year a proportion of this has been identified as capital expenditure and funded via the capital programme.

6.3 Despite these favourable movements the overall forecast for reserve balances at the end of 2021/22 has decreased by £2.5m, compared to the MTFs reported to Council in March 2020. This is the result of:

- The £1.6m of credit notes which were issued to the CCG.
- Reduction in the value of capital receipts due to less asset sales as the market reacted to the restrictions from the pandemic.
- Within the MTFs the Council had assumed that the full application for the Capitalisation Direction would be approved by MHCLG, however the approval received was for costs up to £6.9m, £2.1m less than applied.
- The re-profiling of reserve commitments as outline within 6.2, has meant that there is a healthier balance on the reserves at the end of 2019/20, however this expenditure is expected to take place in 2020/21, therefore reducing the reserves balance by the end of the year.

6.4 The earmarked reserves balances are set aside for specific purposes, the table highlights which of these reserves are ring-fenced for specific use, or available for use on change programmes. The Change Programme Funds will be utilised in part over the next financial years to fund the cost of transformational change to support the development of a sustainable and balanced budget.

6.5 The table also indicates what the estimated future reserves balances are, once the planned commitments against these have been undertaken.

6.6 Key reserves 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. This reserve balance has reduced to £5.0m from £6.9m, this is due to a combination of use of a number of grants which have been received for projects covering multiple years. These include:

- Family Safeguarding Innovation Programme Pilot £1.8m
- Integrated communities £0.9m
- Controlled Migration Fund £0.4m

Public Health – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This reserve has reduced in 2019/20 to £0.009m, as £0.355m has been utilised in year due to the identification of unfunded costs as a result of work completed on a new Section 75 agreement for children's public health services with Cambridgeshire and Peterborough NHS Foundation Trust. This pressure has now been recognised and factored into future budgets.

Capacity Building Reserve - this reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS). A number of transformation programmes have been committed against this reserve including the ICT strategy, Adults Positive Challenge programme and the delivery of savings programmes across the Council, which includes the cost of Grant Thornton, who have been supporting the Council with this work. The reserve has reduced by £2m and has funded the final 2019/20 position, as outlined in Table 1.

COVID-19 Reserve- the government have been keen to ensure Local Authorities do not encounter any issues with cash flow. The Council received COVID-19 funding on 27 March 2020. The grant is un-ring-fenced and at this point the Council had incurred little expenditure as a result of COVID-19, therefore it is held in a reserve to support the additional costs incurred 2020/21.

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. The £7.2m was used to support the position in 2017/18, £4.2 in 2018/19 and £3.1m in 2019/20. The remaining balance was transferred to the Capacity Building Reserve during 2019/20.

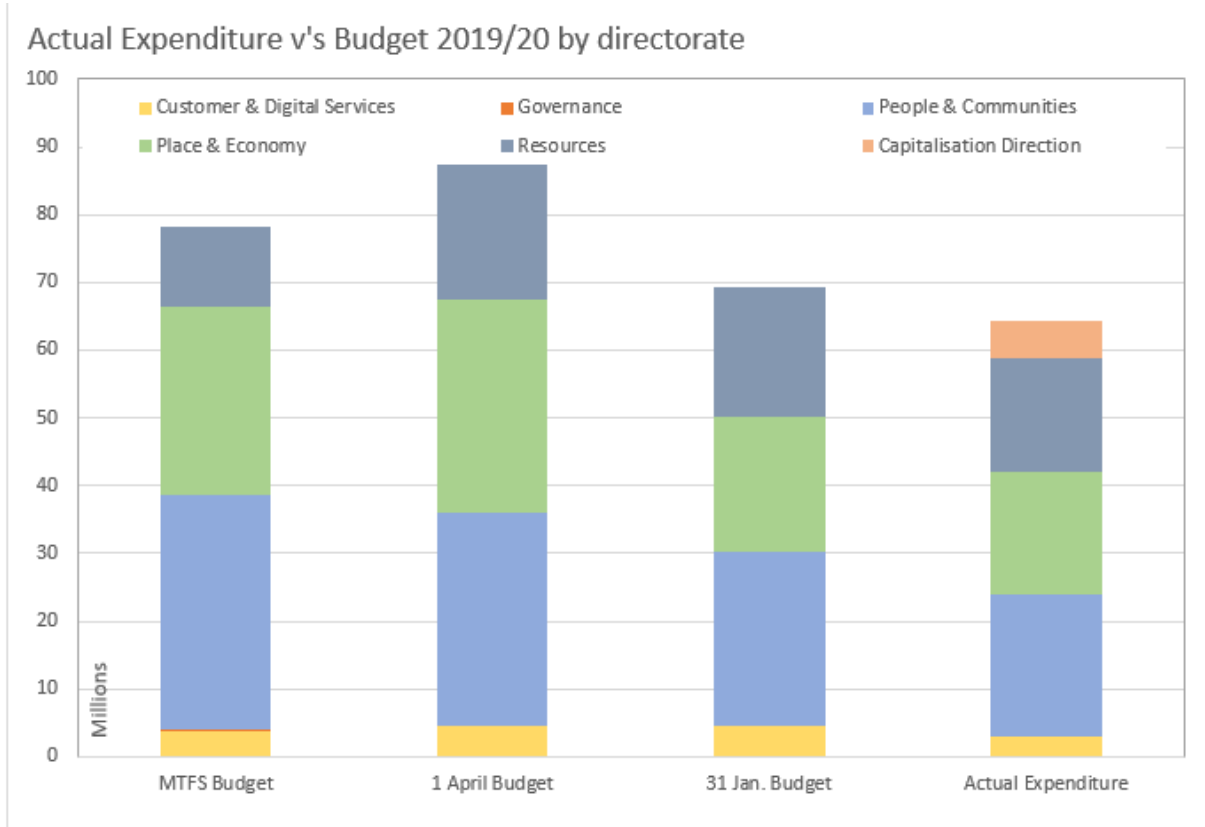
General Fund – the general fund level is at £6.0m, however in 2019/20 a timing difference of section 31 grant income associated with Business Rates has been identified which meant income received was £0.889m lower than anticipated within the 2019/20 budget. This amount is expected to be fully received in 2020/21, and therefore the General Fund reserve has been used in 2019/20 to mitigate the variance and will be fully replenished in 2020/21. This was identified within the Budgetary Control Report- May 2019, and reported to [Cabinet on 15 July 2019](#).

7.0 FINAL CAPITAL OUTTURN 2019/20

7.1 This report considers final position of the Council's Capital Programme and the treasury activity for the financial year 2019/20. Treasury activity for the Council during 2019/20 has been compliant with the Treasury Management Strategy approved in March 2019 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

Capital Programme Outturn 2019/20

7.2 The Council's final revised capital budget was £94.2m which includes the budget for the Invest to Save (I2S) Schemes of £24.8m for the 2019/20 financial year. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £114.1m. The following chart and table shows the movement in capital programme throughout the year with the final position. Capital budgets as agreed for the 2019/20 MTFS (£114.1m), budgets containing slippage from 2018/19 (£124.4m), and the budget as reported at 31 January 2020 (£94.2m). These budgets are then compared to the final expenditure for each directorate and how this investment is financed (£64.3m).



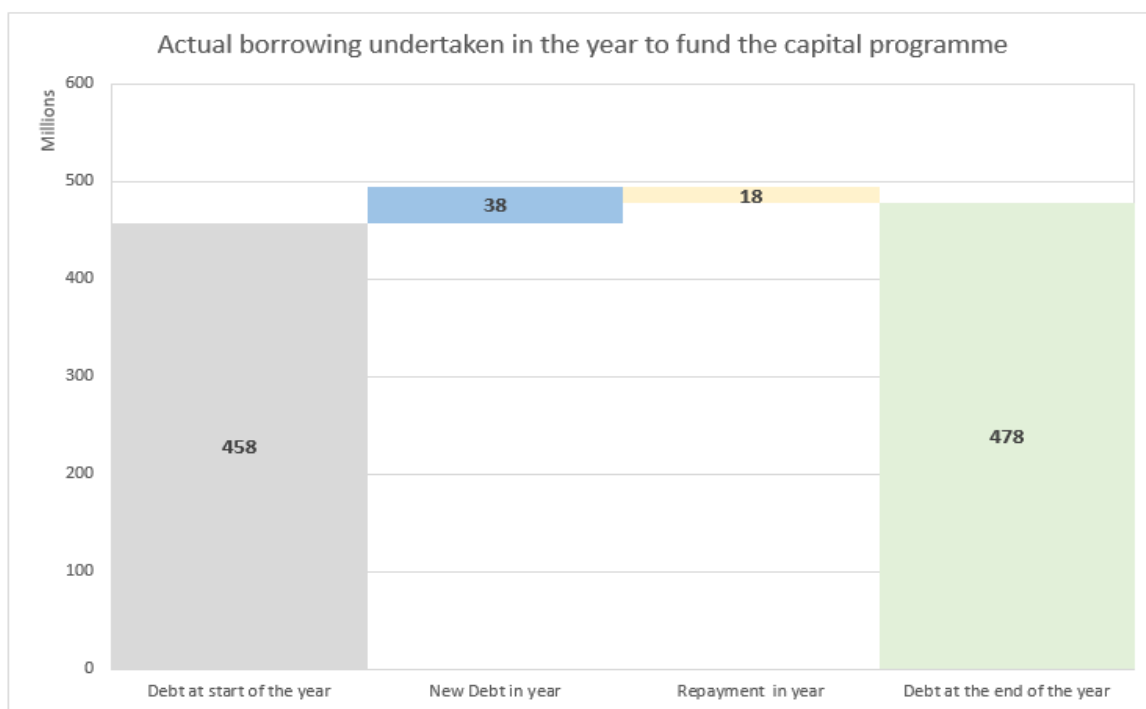
Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Customer & Digital Services	3,800	4,415	4,463	3,026
Governance	90	90	-	-
People & Communities	34,671	31,521	25,715	20,986
Place & Economy	27,873	31,560	20,084	18,066
Resources	11,700	20,051	19,069	16,689
Capitalisation Direction	-	-	-	5,564
TOTAL	78,134	87,637	69,331	64,331
Grants & Contributions	26,826	32,855	34,252	36,225
Capital Receipts	23,150	23,150	23,150	-
Borrowing	28,158	31,632	11,929	28,106
TOTAL	78,134	87,637	69,331	64,331
Invest to Save (100% funded from borrowing)	35,999	36,799	24,849	-

- 7.3 The movement between the MTFS position and the £64.3m actual outturn is a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) under taken throughout 2019/20 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported.
- 7.4 A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following an enhanced scrutiny process linking to the development of the 2020/21 MTFS. The Capitalisation Direction notification was received late in March 2020 and is included in these outturn figures for 2019/20, the strategy for which is as outlined and approved in the 2020/21 MTFS.
- 7.5 Invest to Save projects have been reduced over the next few years due to no planned expenditure. The two big schemes contained in this budget are the Fletton Quays hotel where the drawn down of the loan has been delayed, and from acquisitions of commercial properties where there were no opportunities became available which met the Council's investment criteria. It should be noted that this does not impact the Council's revenue capital financing budgets as these projects are schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.
- 7.6 Listed below are the material value projects that have slipped into 2020/21 that have contributed to the variance between the revised budget reported at January 2020 and the reported outturn of £64.3m.
- Heltwate Special School - £3.8m
 - Hampton Lakes Primary - £1.7m
 - Marshfields School Expansion - £1.8m
 - Northwestgate Development - £3m
 - North Town Hall Works - £2.1
 - A605 Whittlesey Access – Phase 2 Stanground - £3.2m
 - Safety Fencing Network - £1.4m

Funding the Capital Programme

- 7.7 In reflection of the Council's Minimum Revenue Provision (MRP) Policy, the Capital Programme is funded via grants and third party contributions, and borrowing funds from the external market. Capital receipts generated from the sale of Council assets are now used to repay debt as per the MRP policy.

- 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 to fund expenditure for new assets, and for the Capitalisation Direction granted by the Secretary of State.
- 7.9 The Council's total borrowing as at the end of the financial year is £477.6m, and the total interest paid on these loans for the year was £14.7m. The following chart summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.



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	-	4,500	20,128	14,520	330,439	369,587	3.5	30
Local Authority	85,500	5,000	-	-	-	90,500	1.0	-
Market Loans	17,500	-	-	-	-	17,500	4.5	26
Total Borrowing	103,000	9,500	20,128	14,520	330,439	477,587	3.0	28
% of total Borrowing	18%	2%	4%	3%	73%			
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 are used to repay debt and therefore form part of the MRP calculation.

7.12 The following table shows the amounts of capital receipts built into the MTFS and the actual capital receipt received in 2019/20. The total amount of capital receipts used to repay debt as per the MRP policy in 2019/20 was £10.9m which included the Bayard Place sale, overage received, and other asset sales completed in the 2018/19 financial year and carried forward for use in 2019/20.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
10,639	823	10,051	(235)

Investments and Loans to Third Parties

7.13 The Council aims to achieve the optimum interest on treasury investments commensurate with the proper levels of security and liquidity.

7.14 The Council has small surplus cash balances to cover the Council's treasury function, 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.

7.15 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) the Debt Management Office and a Money Market Fund.

7.16 The Council has also secured loans to third parties to advance the Council's strategic interests. The loans are only made after the Council's formal decision-making process has been followed. This includes formal approval by the Acting Corporate Director: Resources.

7.17 As part of the formal decision to make the loan, the security for the loan was assessed as to its adequacy in the event of the third party defaulting on repayment and individual loan agreements provided for the recovery of the capital loan in the event of the default.

7.18 The Council's secured capital loans to third parties are set about in the following table.

Third Party Details	Loan Amount	Status
ECS Peterborough 1 LLP	Capital Loan £23.2m	Due in 2020/21
Vivacity	Capital Loan £0.4m	Due in 2024/25

7.19 At the end of the financial year, the Council's external investments totalled £9.7m. The interest that has been received from all external investment activity including the Council's loans to third parties, and the dividend payment from Eastern Shires Purchasing Organisation (ESPO) has yielded £1,989k.

7.20 An unsecured loan of up to £125k to Peterborough Positive, a company set up to establish a Business Improvement District in Peterborough may require to be issued in 2020/21 which was noted by Cabinet on 18 November 2019. This will be issued in accordance with the governance in section 13.2 of the Treasury Management Strategy within the Council's MTFS.

7.21 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix C along with an update on treasury management activity and other financial performance indicators in Appendix D. For two of the indicators final performance against estimated performance in the MTFS was greater:

- Indicator 3 - this is linked to the capital financing expenditure (as report monthly as part of BCR) where the MRP was greater than budgeted due to the number of assets with shorter lives than originally estimated, and delays with the development of the hotel in Fletton Quays which meant interest receipts were lower than budgeted.

- Indicator 4 - shows the proportion of debt to capital financing requirement. It shows the council to be in an 'under borrowed' position – ie using the strength of the balance sheet to 'internally borrow' in order to keep borrowing costs low. Overall the amount of borrowing taken in year, was lower than estimated but proportionally more when compared to the capital financing requirement.

8.0 Consultation

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

9.0 Anticipated Outcomes

9.1 That the outturn position for 2019/20 is noted.

10.0 Reasons for Recommendations

10.1 This monitoring report forms part of the 2019/20 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Audit Committee of the final position.

11.0 Alternative Options Considered

11.1 None required.

12.0 Implications

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

13.0 Appendices:

- APPENDIX A - 2019/20 Revenue Outturn Report
- APPENDIX B - Council Reserve Position
- APPENDIX C - Treasury Management Strategy – Prudential Indicators 2019/20
- APPENDIX D - Performance Monitoring Report Prompt payment of invoices
- APPENDIX E – COVID-19 Financial position

14.0 Background Documents:

- [Budget Book Tranche One 2020/21-2022/23](#)
- [Budget Book 2019/20-2021/22](#)
- [Budget Monitoring Report- Final Outturn 2018/19 \(item 14\)](#)
- [Budgetary Control Report- April 2019- 17 June Cabinet \(item 13\)](#)
- [Budgetary Control Report- May 2019- 15 July Cabinet \(item 7\)](#)
- [Budget Process Report- Council 24 July 2019](#)
- [Budget Process Report Appendix- Council 24 July](#)
- [Budgetary Control Report- June 2019- 23 September Cabinet \(item 9\)](#)
- [Budgetary Control Report- September 2019- 4 November Cabinet](#)
- [Budgetary Control Report- November 2019- 3 February Cabinet \(item 6\)](#)
- [Budgetary Control Report December 2019- 25 February Cabinet](#)
- [Budgetary Control Report January 2020- Published online due to cancellation of Cabinet meeting due to Covid-19](#)
- [Council Taxbase 2020/21 and Collection Fund Declaration](#)

APPENDIX A – 2019/20 REVENUE OUTTURN REPORT

Final Departmental position

Budget Group	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executive	205	38	243	223	0	(20)	(3)	(17)
HR	1,321	246	1,567	1,361	0	(206)	(172)	(34)
Total Chief Executives	1,526	284	1,810	1,584	0	(226)	(175)	(51)
Director of Governance	91	33	124	184	0	60	86	(26)
Constitutional Services	1,995	0	1,995	2,057	0	62	35	27
Legal Services	2,036	0	2,036	1,978	0	(58)	(105)	47
Performance & Information	151	38	189	174	0	(15)	(13)	(2)
Total Governance	4,273	71	4,344	4,393	0	49	3	46
Director, OP & JV	482,012	31	514	355	83	(76)	(26)	(50)
Director of Housing	0	67	67	67	0	0	0	0
Development and Construction	121	61	182	228	0	46	32	14
Peterborough Highway Services	3,694	125	3,819	2,576	0	(1,243)	(895)	(348)
Sustainable Growth Strategy	1,533	0	1,533	1,401	0	(132)	(67)	(65)
Waste, Cleansing and Open Spaces	12,160	606	12,766	12,811	0	45	130	(85)
Westcombe Engineering	207	13	220	191	0	(29)	48	(77)
Energy	260	0	260	(145)	0	(405)	(307)	(98)
City Centre Management	287	21	308	854	0	546	538	8
Service Director Environment & Economy	(556)	89	(467)	163	0	630	678	(48)
Total Place & Economy	18,189	1,012	19,201	18,501	83	(618)	133	(750)
Adults	34,671	539	35,210	35,460	0	250	(407)	656
Commissioning & Commercial Operations	17,416	0	17,416	16,925	0	(491)	(199)	(292)
Children's & Safeguarding	10,971	251	11,222	11,070	0	(152)	(25)	(127)
Director	(2,168)	28	(2,140)	1,075	0	3,215	3,570	(355)
Education	3,559	137	3,696	3,475	58	(163)	188	(351)
Communities	7,534	2,262	9,796	9,495	627	326	369	(43)
DSG	(424)	174	(250)	(569)	319	(0)	(0)	(0)
Total People & Communities	71,559	3,391	74,950	76,930	1,004	2,985	3,495	(510)
Children 0-5 Health Visitors	3,702	355	4,057	4,054	0	(3)	0	(3)
Children 5-19 Health Programmes	983	0	983	937	0	(46)	(3)	(43)

Budget Group	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	£000
Sexual Health	1,942	0	1,942	1,931	0	(11)	(0)	(11)
Substance Misuse	2,198	0	2,198	2,201	0	3	3	0
Smoking and Tobacco	281	0	281	281	0	0	0	(0)
Miscellaneous Public Health Services	1,382	37	1,419	1,457	0	38	30	8
Public Health Grant	(10,621)	0	(10,621)	(10,620)	0	1	1	0
Public Health Department Savings Target	(31)	0	(31)	0	0	31	31	0
Total Public Health	(164)	392	228	241	0	13	61	(48)
Director's Office	199	0	199	209	0	10	13	(3)
Financial Services	6,918	2,994	9,912	6,138	3,678	(96)	(5)	(91)
Capital Financing	21,563	0	21,563	19,437	0	(2,126)	(1,761)	(365)
Corporate Items	7,668	772	8,440	8,742	2	303	288	15
Peterborough Serco Strategic Partnership	7,586	12	7,598	8,788	0	1,190	959	231
Cemeteries, Cremation & Registrars	(1,416)	0	(1,416)	(1,690)	0	(274)	(99)	(175)
Corporate Property	2,161	1,064	3,225	3,325	0	100	260	(160)
Total Resources	44,678	4,843	49,521	44,949	3,680	(893)	(345)	(548)
Director Customer & Digital Services	(486)	0	(486)	(17)	0	469	564	(95)
ICT	6,891	444	7,335	7,004	0	(331)	(31)	(300)
Marketing & Communications	510	51	561	515	0	(46)	(76)	30
Resilience & Health & Safety	341	14	355	281	0	(74)	(70)	(4)
Total Customer & Digital Services	7,256	509	7,765	7,783	0	18	387	(369)
Director of Business Improvement	0	0	0	0	0	0	0	0
Programme Management Office	764	361	1,125	1,071	0	(54)	(55)	1
Total Business Improvement	764	361	1,125	1,071	0	(54)	(55)	1
Asset Sales	(2,821)	0	(2,821)	0		2,821	0	2,821
CCG	0	0	0	1,631		1,631	0	1,631
Capitalisation Direction	0	0	0	(5,564)	0	(5,564)	0	(5,564)
Total Expenditure	145,260	10,863	156,123	151,519	4,767	162	3,503	(3,341)
Financed by:								
Council Tax	(72,127)	0	(72,127)	(72,127)	0	0	0	0
Council Tax - Adult Social Care precept	(5,450)	0	(5,450)	(5,450)	0	0	0	0
NNDR Income	(46,256)	0	(46,256)	(46,233)	0	23	0	23
NNDR Levy	306	0	306	404	0	98	0	98

	Budget 2019/20	Cont. from reserves	Revised Budget 2019/2020	Actual Outturn 2019/20	Cont. to reserves	Variance 2019/20	January 20 Variance	Movement
Budget Group	£000	£000	£000	£000	£000	£000	£000	£000
NNDR S31 Grants	(5,442)	889	(4,553)	(4,770)	0	(217)	0	(217)
NNDR Tarriff	2,424	0	2,424	2,424	0	0	0	0
Revenue Support Grant	(10,246)	0	(10,246)	(10,246)	0	0	0	0
Parish Precept	(672)	0	(672)	(672)	0	(0)	0	(0)
New Homes Bonus	(4,713)	0	(4,713)	(4,713)	0	0	0	0
S31 Grants	0	0	0	(5,494)	5,332	(162)	0	(162)
Contribution from/to Grant Equalisation Reserve	(3,084)	0	(3,084)	(3,084)	0	0	0	0
Contribution from/to Reserves	0	(11,752)	(11,752)	(11,752)	0	0	0	0
Collection Fund - Council Tax	0	0	0	0	0	0	0	0
Collection Fund - NDR	0	0	0	0	0	0	0	0
Total Financing	(145,260)	(10,863)	(156,123)	(161,713)	5,332	(258)	0	(258)
Net	0	(0)	(0)	(10,194)	10,099	(96)	3,503	(3,599)

Explanation of departmental variances in comparison to the January 2020 Position:

Dep	Variance Change	£000
	January 2020 position	3,503
CeX	Further Staffing savings within the Human Resources Department as a result of the early delivery of savings plans.	(32)
GOV	Additional costs due to increased case volumes within the Child Protection Legal Team.	47
P&E	Additional interest income from the extension of the Loan to Empower Loan.	(100)
P&E	Further Pressure in relation to the wholesale electricity prices obtained from the sale of electricity produced at the Energy for Waste(EfW) plant.	164
P&E	Underspend in relation to an insurance rebate received in respect of the EfW plant, following a recent review.	(250)
P&E	Further Network Management income generation within Peterborough Highways Services (PHS)	(225)
P&E	Further savings within the Peterborough Highways Service (PHS) as a result of a reduction in uptake of concessionary fares, income as a result of services provided to other authorities and the identification of costs to be treated as capital expenditure.	(160)
P&E	Further staffing savings within Development and Construction	(89)
P&E	Additional pressure due to a shortfall on planning fee income	103
P&E	Additional Income of has been generated within Sustainable Growth Strategy as a result of services to other local authorities.	(123)
P&C	Adults- Pressure on the Independent Sector Placement Budget due to additional pressures. Underspend on mental health services due to some instances where the social care responsibility was discharged	1,044
P&C	Underspend on Childrens social care placements and the permanency service	(193)
P&C	Recharging costs to the Dedicated Schools Grant (DSG) to better reflect the cost of providing services to DSG related activities.	(347)
P&C	Additional savings across the Childrens as a result of implementing the recruitment and spending controls.	(70)
P&C	Reduction in the Home to School transport pressure.	(105)
P&C	PFI Insurance rebate.	(268)
	Additional savings across the Adult Social Care teams as a result of implementing the recruitment and spending controls	(480)
P&C	Housing Needs improvement due to reduced temporary accommodation requirement	(134)
P&C	Additional income from Parking charges.	(114)
P&C	Regulatory Services- underspend from implementing spending and recruitment controls.	(149)
P&C	Targeted Youth Services- early deliver of savings, via the implementation of a staffing/service restructure.	(140)
P&C	Coroners Service- pressure due to additional demand as a result in a rise of unexplained and sudden deaths and inquests.	98
P&C	Enforcement (including PES, Parking and CCT) - Under recovery of income and achievement of savings.	169
RES	Improvement within the capital financing budget (excluding the reduction in Capital receipts, as a result of asset sales as this has been highlighted as an exceptional item)	(424)
RES	Further pressure on the Housing Benefit subsidy budget	296
RES	Cemeteries, Cremation & Registrars- additional income due to an increase in registration fees and burial income.	(175)
RES	Additional Property income	(199)
CID	Reduced expenditure on the third-party software within the ICT budget.	(300)
	Other minor variances across the Council	(73)
	Outturn position	1,274

Full explanation of the overall variances are highlighted in Sections 1-9.

Explanation of Key Departmental Outturn Variances:

1. **Chief Executives - £0.226m Underspent**

This underspend is mainly attributable to the early delivery of savings within the Human Resources Team. This is the result of removing vacancies, career regrades, maternity leave and an underspend on supplies and services budgets across the directorate.

2. **Governance – £0.049m overspent**

The overall position for the directorate includes the remaining balance of £0.113m against a savings target of £0.298m, which was set as part of the budget realignment exercise.

Constitutional Services- £0.062m overspent

As a result of the General Election in December 2019, there are costs for items such as security, catering and accommodation for officers fulfilling the Deputy Returning Officer (DRO) roles, which the Council are unable to seek reimbursement from the Government for and therefore have caused a £0.052m pressure.

Legal Services- £0.058m Underspent

Additional income £0.164m has been achieved in Legal Services through the negotiation of a new Service Level Agreement with Rutland and Fenland local authorities. However, this has been offset by pressures in other areas such as £0.081m within the Child Protection Legal Team, due to an increase in the volume of cases.

3. **Place and Economy - £0.618m Underspent**

Development and Construction- £0.046m Overspent

A shortfall in planning fee income of £0.235m was experienced with various other staffing and supplies and services totalling £0.189m offsetting this.

Peterborough Highways Services- £1.243m Underspent

- The Highways Development has generated additional Section 278 and Section 38 income from developers and delivered savings on professional services and contractors totalling £0.453m;
- Additional permit income £0.454m arising from extra work relating to the City Fibre network;
- Additional income generated from services provided to the Cambridgeshire and Peterborough Combined Authority (CPCA)
- There is a saving of £0.265m on the Concessionary Fares budget due to reduced uptake;
- These savings are offset by an overspend on employee costs totalling £0.157m which relates to the under delivery of shared services savings targets, factored into the MTFS.

Sustainable Growth Strategy - £0.132m Underspent

Additional income of £0.123m has been generated within this area as a result of several Service Level Agreements to provide services to other local authorities.

Waste, Cleansing and Open Spaces- £0.045m Overspent

- The cost of waste treatment was £0.123m lower than budgeted;
- There has been a reduction in the wholesale electricity prices obtained from the sale of electricity produced at the Energy for Waste plant. These were budgeted based on the higher prices experienced in the previous financial year, this reduction led to a final outturn pressure of £0.544m.
- The Council have received a £0.250m insurance rebate in relation to the Energy for Waste plant. This was following a review of the risks experienced over the last three years.

Energy- £0.406m Underspent

The Council has received additional income of £0.613m from the Empower loan due to a further extensions. However, offsetting this is £0.200m of costs in relation to legal and consultants' fees associated with the refinancing of the scheme.

City Centre Management- £0.546m Overspent

- A pressure relating to a reduction in income generated through stall rental at the Market £0.100m;
- The cancellation of the Perkins Great Eastern Run (PGER) has generated an overspend of £0.160m as ticket sales were refunded and costs incurred;
- Other variances relating to Pedestrian Area Income, the Christmas lights, Information Centre, and Business Improvement District (BID) project costs equated to £0.286m of pressures.

Service Director Environment & Economy- £0.630m Overspent

The position includes a £0.651m balance against a savings target of £1.530m, which was set as part of the budget realignment exercise.

4. People and Communities - £2.985m Overspent

Adults- £0.250m Overspent

- There is a favourable variance of £0.218m on mental health services due to some instances where the social care responsibility was discharged by the CPFT.
- Increased staffing savings of £0.173m within the Therapy, reablement and 0-25 service team, as a result of holding vacancies and following the spend and recruitment controls;
- The Independent Sector Placements (ISP) budget is overspent by £1.117m. This relates to £0.625m of invoices relating to costs incurred in 2018/19 being received and paid for in this financial year, £0.236m of costs associated with reablement, and £0.108m of additional costs associated with Cherry Lodge.
- Additional savings of £0.481m across the Adult Social Care teams as a result of implementing the spending controls was realised. The service has reduced hours and the use of agency, reduced expenditure of supplies and services and held vacancies or delayed recruitment.

Commissioning and Commercial Operations- £0.491m Underspent

There is a £0.443m underspend on Childrens Social Care placements and the permanency service, this is due to the costs coming in less than budgeted for.

Childrens & Safeguarding- £0.152m Underspent

- There is a pressure of £0.098m within the Children's Social Care service, in relation to the transfer back of the Fostering and Adoption teams to the Council from TACT.
- There is £0.250k of favourable variances across this service as a result of reducing the cost of agency, staffing and supplies and services through the recruitment and spend controls.

Director- £3.215m Overspent

- The final position includes a £3.588m balance against a savings target of £5.876m, which was set as part of the budget realignment exercise.
- There is a £0.347m favourable variance following a review of costs, which was completed in year and allocations amended to better reflect the cost of providing services to DSG related activities.

Education- £0.163m Underspent

- There is a pressure of £0.249m on the Home to School and Children's Social Care Transport budget. This is the result of new contracts and price increases to current contracts. The cost of providing this provision is affected by demography of the home and school locations and the number of children requiring transport, which has increased due to the rise in the number of children with an Educational Health Care Plans (EHCP).
- An underspend of £0.268m is reported against the PFI budget, which relates to a PFI insurance rebate covering the period September 2017- August 2019.

Communities- £0.326m Overspent

- The temporary accommodation budget overspent by £0.344m, a £0.134m improvement on the position previously reported in January. This pressure relates to an increase in homeless presentations, peaking earlier in the year when there were 416 households in temporary accommodation, 110 of which were in Bed and Breakfast. The recruitment of a housing specialist, and the continued approach to developing a portfolio of housing supply to meet this demand, the Council has experienced improvements in the numbers of households in temporary accommodation, and have reduced the number of households in Bed and Breakfast to just one as at 31 March 2020. Offsetting this is an underspend on staffing, and supplies and services costs within the housing needs team totalling £0.133m.
- The Parking Services budget was flagged as having significant pressure on its income targets earlier in the year, as a result of a change in usage by motorists and the demolition of the Northminster Car Park. This was incorporated within the budget re-alignment exercise, however by the end of the year income generated a surplus compared to budget of £0.114m.
- A pressure of £0.169m on the enforcement services relates to the under recovery of fine income and a shortfall on the CCTV savings.
- There is an overspend of £0.098m within the Coroners service due to a higher volume of investigations into sudden and unexplained deaths and inquests. This pressure has been increasing over a number of years and under the Coroner and Justice Act 2009 Local Authorities are required to provide the necessary staffing and other resources to enable HMC to fulfil their duties under the Act. The Council has little control over these additional costs. Activity is being monitored however it is anticipated this pressure will continue into next financial year.

- An underspend is reported within the Targeted Youth Services Team of £0.140m, this is due to staffing saving as a result of the early delivery of restructure savings.
- An underspend of £0.149m is reported across the Regulatory Services Teams, this is the result of spending and recruitment control on salary and supplies and services budgets.

5. **Public Health- £0.013m overspent**

Minor variances reported across the directorate.

6. **Resources- £0.893m Underspent**

Capital Financing and Capital Receipts- £2.126m Underspent

The final outturn for capital financing was impacted in the middle of March as the global COVID-19 crises hit the UK, with the sale of the football club unable to be completed by the end of the financial year. The loss of these sale proceeds has been mitigated in part through:

- Less borrowing undertaken for the capital programme in 2018/19 than budgeted for in the MTFS resulting in less budget being required to fund existing borrowing in 2019/20;
- The council has been able to benefit from interest rates experienced for new borrowing being lower than those forecast at the time the MTFS was set. However, the council amended its borrowing approach during the year by taking shorter period loans for new debt to mitigate the impact of the Treasury announcement that increased the interest rate for Public Works Loan Board (PWL) by one percentage point. This approach led to a more favourable position against the forecast outturn.
- Capital programme reviews, and management action over the timing of project completion, enabled forecast for borrowing and timings to be more realistically estimated and savings derived.
- Following clarification discussions with the Council's external auditors, regarding the timing of the recognition of asset sale income, the sale of assets relating to the stock transfer to Cross Key Homes has been recognised during this financial year.
- The underspend position was offset by the level of interest receipts forecast to be generated from loans the council had issued has been reduced from those contained in the MTFS as a result of the early repayment of loans from a housing association received at the end of 2018/19 and the delay in the drawdown of the loan granted to the hotel build in Fletton Quays;

Corporate Items - £0.303m Overspent

This pressure is mainly the result of a reduction in direct revenue funding (DRF) of £0.250m. This is due to a shortfall in the value of schools funding being transferred from revenue into capital due to the number of schools converting to academy status.

Peterborough Serco Strategic Partnership (PSSP)- £1.190m Overspent

- Within the BCR reporting throughout the year, the risk that ADP (Annual Delivery Plan) costs which is currently costing the Council £0.065m per month, would create an adverse variance against the budget unless costs were switched off or charged to a budgeted project. Within the outturn variance there are eight months of cost of £0.521m which relates to August 2019 to March 2020 (April 2019 –July 2019 was funded through budget realignment exercise). In addition, there are BTSI variable costs that have been charged to the PSSP cost centre on a monthly basis and are included in this variance of £0.472m for costs from April 2019-

March 2020. Following receipt of a breakdown from Serco there was a re-allocation of costs to project budgets, totalling £0.582m. Therefore, the total ADP/BTSI costs remaining within Resources Directorate is £0.411m.

- There is a pressure of £0.796m in relation to Housing Benefit (HB). The Council had been receiving and budgeting for additional income from recovering HB overpayments. Incidences of overpayment are now reduced, as rent allowance payments and housing subsidy both reduce in line with the roll-out of Universal Credit. There is an improvement on the collection of more recent arrears, but there are other arrears which are older and proving challenging to collect, and therefore increasing the level of bad debt provision required, this creates a revenue pressure for the Council. The 2020/21 budget has been amended to reflect the revised level of HB, therefore there should be no further pressure pressures reported.

Cemeteries, Cremation & Registrars- £0.274m Underspent

This underspend relates to additional income generation as a result of statutory price increases on the sale of certificates from the registration service and additional burial income.

Corporate Property- £0.100m Overspent

- The main overspend in this area are relates to legal costs of £0.137m and the use of temporary staffing totalling £0.063m. This was in relation to purchased and leased properties as part of the reducing Homelessness project.
- However, offsetting this pressure is additional income of £0.199m across the Councils property portfolio.

7. Customer and Digital Services - £0.018m Overspent

Director Customer & Digital Services - £0.469m Overspent

- The final position includes a £0.562m savings target which was set as part of the budget realignment exercise.
- The Council received three £0.105m Brexit grants to support the council's preparation and planning for leaving the European Union, across the financial years 2018/19 and 2019/20. These grants have been used to procure specialist expertise and advice; however, Council officers and the Director of Customer and Digital have absorbed a work supporting these preparations within their own roles, therefore £0.095m of the grant has been unused.

ICT- £0.331m Underspent

- There is a £0.351m favourable outturn on the third-party software budget. This is due to the Council incurring lower than budgeted costs in relation to Microsoft 365, Salesforce licenses and Google licenses as the transfer to Microsoft was finalised quicker than originally expected.
- There is a £0.118m pressure off setting this, which relates to capital financing charges for ICT work, which were not budgeted for.

8. Business Improvement – £0.054m Underspent

The underspend of £0.054m has been delivered via the early delivery of savings plans, through a staff restructure within the Programme Management Office.

9. Financing- £0.258m Underspent

An additional income £0.140m from business rates during 2019/20, results from a redistribution of overpaid levies from previous years amounting to £40m at a national level of which £0.140m was received by Peterborough. The redistribution was based on an assessment of need.

Appendix B: Council Reserves Position

Summary of Reserves	Balance C/Fwd 1.4.19 £000	Cont from Reserve in 2019.20 £000	Cont to Reserve in 2019.20 £000	Movement between Reserves £000	Est Balance at 31.03.20 £000	Est Balance at 31.03.21 £000	Est Balance at 31.03.22 £000
General Fund Balance	6,000	(889)	-	-	5,111	6,000	6,000
Usable Reserves							
Capacity Building Reserve	14,973	(7,022)	3,774	1,268	12,992	6,281	6,281
Grant Equalisation Reserve	4,214	(3,084)	-	(1,130)	-	-	-
Departmental Reserve	6,890	(2,443)	768	(138)	5,077	1,147	1,147
Covid-19 Reserve	-	0	5,332	-	5,332	-	-
	26,076	(12,549)	9,874	-	23,401	7,429	7,429
Ring-Fenced Reserves							
Insurance Reserve	3,398	(325)	-	-	3,073	3,073	3,073
Schools Capital Expenditure Reserve	482	(49)	319	-	752	752	752
Parish Council Burial Ground Reserve	54	-	2	-	56	56	56
Hackney Carriage Reserve	226	(53)	-	-	173	173	173
Lease Consolidation Reserve	615	(615)	-	-	-	-	-
Public Health Reserve	364	(355)	-	-	9	0.00	0.00
	5,140	(1,398)	321	-	4,063	4,054	4,054
Total Available and Ring-Fenced Reserves and General Fund Balance	37,217	(14,836)	10,195	-	32,575	17,483	17,483

Appendix C - Treasury Management Strategy Prudential Indicators Outturn 2019/2020

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 five financial years in line with setting a five 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 outturn for the Prudential Indicators for the financial year are detailed below. The indicators include the Invest to Save schemes. The costs of borrowing associated with these schemes will be offset by the income or savings generated by these projects. The updated 2019/20 Prudential Indicators are shown below and the Council's performance to date against them.

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	2019/20 Indicator £m	2019/20 Actual £m
Capital Expenditure	76.5	58.8
Capitalisation Direction	-	5.6
Invest to Save	37.6	-
Total	114.1	64.3

The actual capital programme expenditure outturn is £64.3m which is lower than the MTFS indicator due to a number of projects across all directorates being reprofiled to more accurately reflect the spending over future years and other projects removed as part of an enhanced scrutiny process linked to achieving additional savings in 2019/20 to mitigate the forecast overspend during the year and as part of the development of the 2020/21 MTFS.

Invest to Save projects have been reduced over the next few years due to no planned expenditure. However, this does not impact the Council's capital financing budget as this is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

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	2019/20 Indicator £m	2019/20 Actual £m
CFR b/fwd	606.3	577.4
Underlying Need to Borrow	30.6	11.3
Underlying Need to Borrow - Invest to Save	17.6	-
Total CFR C/fwd	654.5	588.7

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 actual performance of 9.5% is reflected in the explanatory text for capital financing as contained in the Appendix A. In summary this is a result of the minimum revenue provision being greater than budgeted due to the amount of assets being funded from borrowing which are shorter life ie ICT related assets. It reflects the reduced interest income received in the year compared to the original budget which reflects the delay in the loan for the hotel being drawn down.

Ratio of net financing costs to net revenue stream	2019/20 Indicator	2019/20 Actual
Total Ratio	8.9%	9.5%

4. Indicator 4: 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 (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) 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	2019/20 Indicator £m	2019/20 Actual £m
CFR	654.5	588.7
Gross Debt (inc PFI & Leases)	570.4	527.4
% of Gross Debt to CFR	87.1%	89.6%

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.

5. Indicator 5: 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	2019/20 Indicator £m	2019/20 Actual £m
Borrowing	618.6	477.6
Other Liabilities (PFI & Leases)	52.0	49.8
Total Operational Boundary	670.6	527.4

6. Indicator 6: 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	2019/20 Indicator £m	2019/20 Actual £m
Borrowing	733.5	477.6
Other Liabilities (PFI & Leases)	52.0	49.8
Total Authorised Limit	776.0	527.4

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.

7. Indicator 7: 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	2019/20 Indicator £m	2019/20 Actual £m
Upper Limit	777.3	477.6
% of fixed interest rate exposure	100%	100%

8. Indicator 8: 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	2019/20 Indicator £m	2019/20 Actual £m
Upper Limit	194.3	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.

9. Indicator 9: 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 £457.6m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing	Actual Borrowing £m
Under 12 months*	40%	18%	103.0
1 – 2 years	40%	2%	9.5
2 – 5 years	80%	4%	20.1
5 – 10 years	80%	3%	14.5
Over 10 years	100%	73%	330.5
Total Borrowing			477.6

* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 22-34 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.

10. Indicator 10: Total Investments for periods longer than 364 days

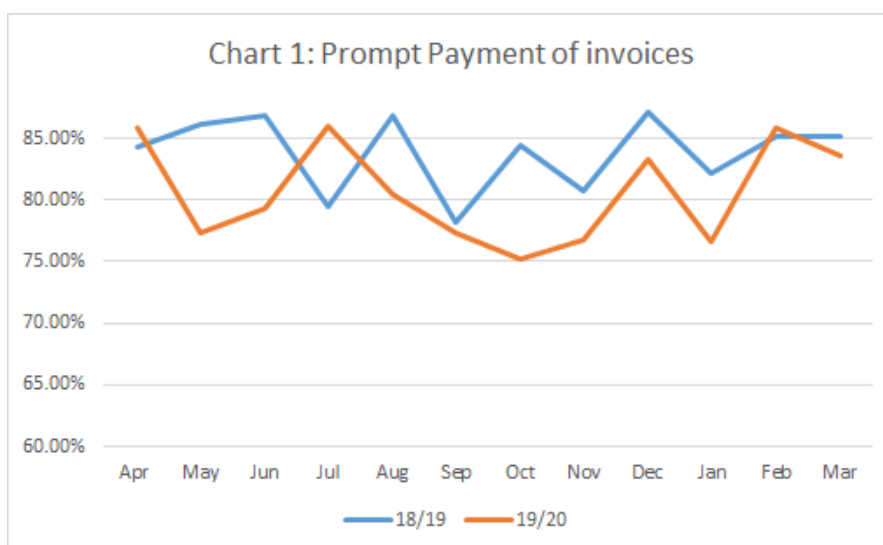
Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

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.

	2019/20 Indicator £m	2019/20 Actual £m
Principal sums invested >364 days	0.0	0.0

Appendix D – Performance Monitoring Prompt Payment of Invoices (Invoices paid within 30 Days)

- 1.1. The cumulative position on prompt payment of invoices paid in 30 days (based on invoice date, rather than received date) as at 31 March 2020 was 80.8% which is 3.1% down on the previous year's performance of 83.9%. This can be explained by the number of historic invoices that were resolved and paid (after long periods of dispute). The performance measure was also impacted mid-year when Peterborough Limited (PL) went live. This was prior to the designated resources being in place for the new entity and therefore there was an impact on the AP team (due to the late decision by PL to request Serco to deliver their AP service). The performance for 2019/20 is shown alongside the equivalent 2018/19 figures within chart 1
- 1.2. Within the last financial year system workflow has been improved and tightened to help drive better compliance. Childrens Services payments (for foster carers and young persons) now go through an interface and there is work in progress to automate more Adult Social Care payments. The Accounts Payable team continue to work closely with procurement to ensure adherence to on boarding rules, and Peterborough City Council (PCC) to ensure that suppliers are paid quickly, wherever possible



- 1.3. In 2019/20 a total of 70,231 invoices were paid, of which 56,773 were paid within 30 days (based on invoice date, please see earlier)

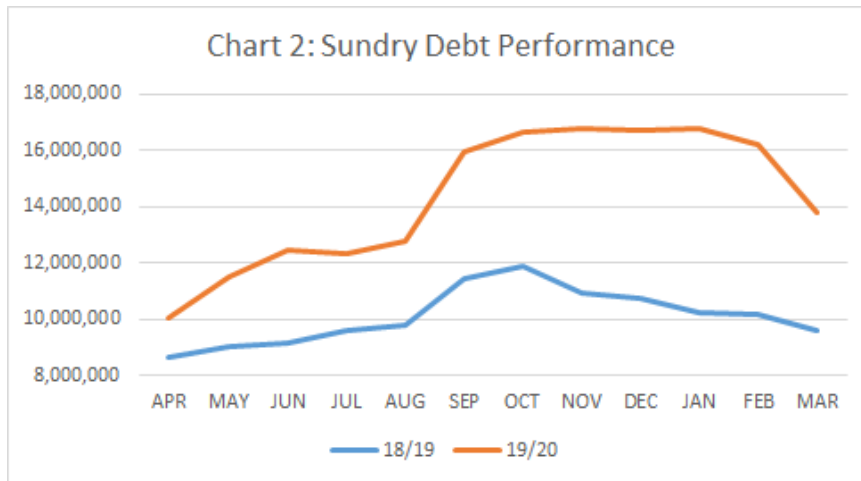
The total value of payments made was £322m of which;

- £320m was paid by either BACS or CHAPS
- £1.3m was paid via cheque (700 payments)
- 69k of the total payments were made electronically (via BACS or CHAPS), which equates to 99.00% of invoices

2. Sundry Debt Performance

- 2.1. The total outstanding sundry debt in excess of 6 months old (as at 31 March 2020) was £13.8m in total and is set out in Chart 2 (alongside the comparative figures for 2018/19). Of this £13.8m figure, a total of £10.0m, or 72.6%, was in respect of the NHS/ CCG debt (these latter figures are up by £4.0m, or 9.5% from the previous year). It should be noted however that £3.9m of

NHS/CCG payments are unallocated due to the poor quality of information on remittances that have been submitted with the payments (this value is not included in the above)

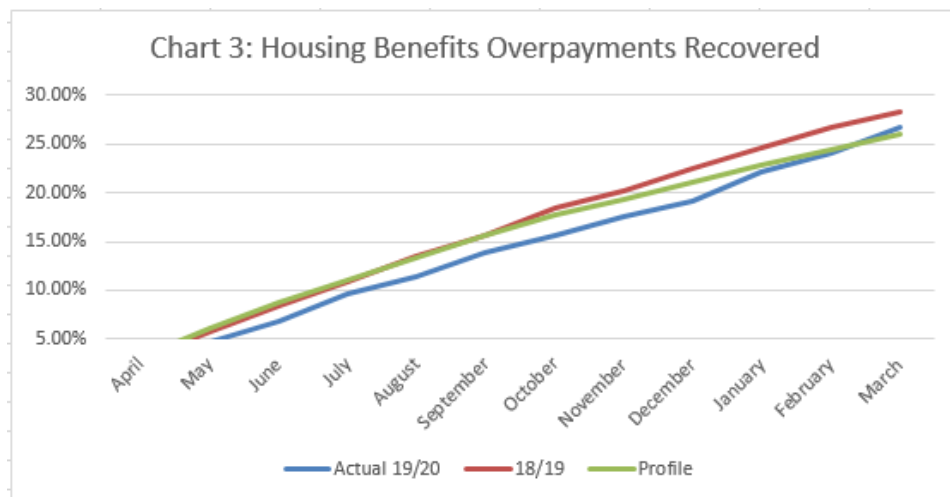


2.2. The top 20 debts owed to the Council at 31 March 2020, and which were more than 30 days old, totalled £1.9m of which £1.4m were for the NHS/ CCG. A review of the end-to-end sundry debt recovery process remains ongoing and in conjunction with Cambridgeshire County Council (CCC). One of the outcomes of this work will be the introduction of more control at the billing stage (with the PCC budget managers becoming more involved). This will improve accuracy and ensure evidence is in place to support latter stage recovery action (should it be required). In turn closer working between Serco’s Sundry Debt team, and PCC directorates continues to be positively developed

2.3. In 2019/20 a total of £66.5m was raised, whilst £64.7m was collected (across all years). The difference between the two being £1.8m, which is made up of credit notes of £824k, write-offs of £747k and adjustments. The two ‘aged debt’ projects are winding down now. At the end of 2019/20, a total of £405k had been collected across the two initiatives

3. Housing Benefit Overpayments

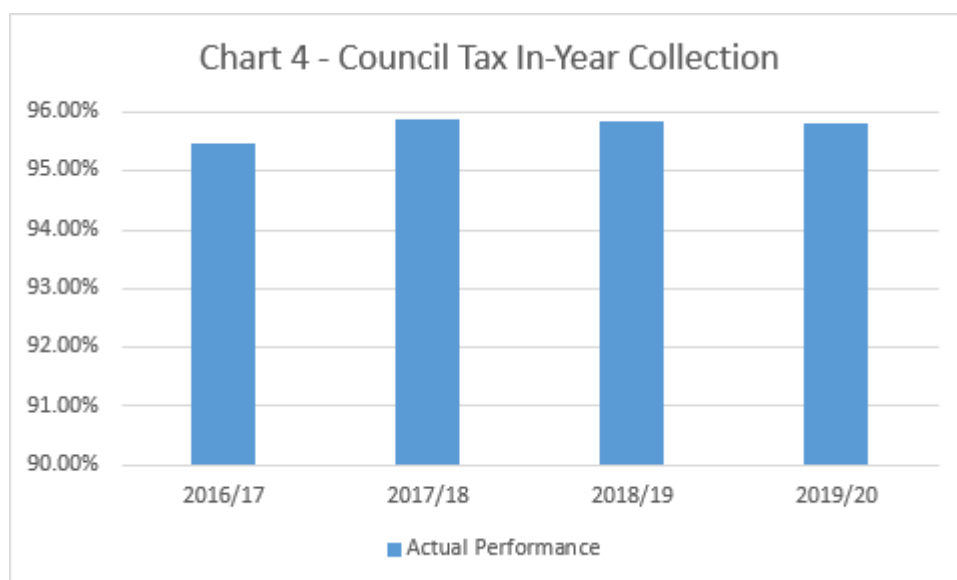
3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2019/20 (and the 2018/19 figures).



- 3.2. Housing benefit overpayment collection as at the 31 March 20 was 26.70% which is above the target of 26.0% but 1.68% lower than the figure for March 2019 (28.38%). The amount of debt carried forward from 2018/19 was just over £7.5m and the amount of newly identified debt in 2019/20 was £1m lower than 2018/19. As a result, the age profile of the debt was much older.
- 3.3. The value of debt collected in 2019/20 was 135% of the value of the debt raised in year, only the second time this has been above 100% (2018/19 was 110%).
- 3.4. Overall overpayments are reducing for a few reasons, the main ones being that:
- a) Benefits processing is significantly more up to date that it has been historically, leading to fewer overpayments caused by delays in processing;
 - b) Recent data matching of earnings with DWP and HMRC has led to claims being more promptly updated when changes occur; and
 - c) Universal credit is reducing the caseload of Housing Benefit claims. The reduction in identification of new debt is of overall benefit to the council but does mean the achievement of the KPI becomes increasingly difficult.
- 3.5. Further resource has been assigned to the oldest debt in 2019/20. An additional £0.34m has been collected as a result, and work on this will continue into 2020/21.

4. Council Tax and Non-Domestic (NDR) Rates Collection

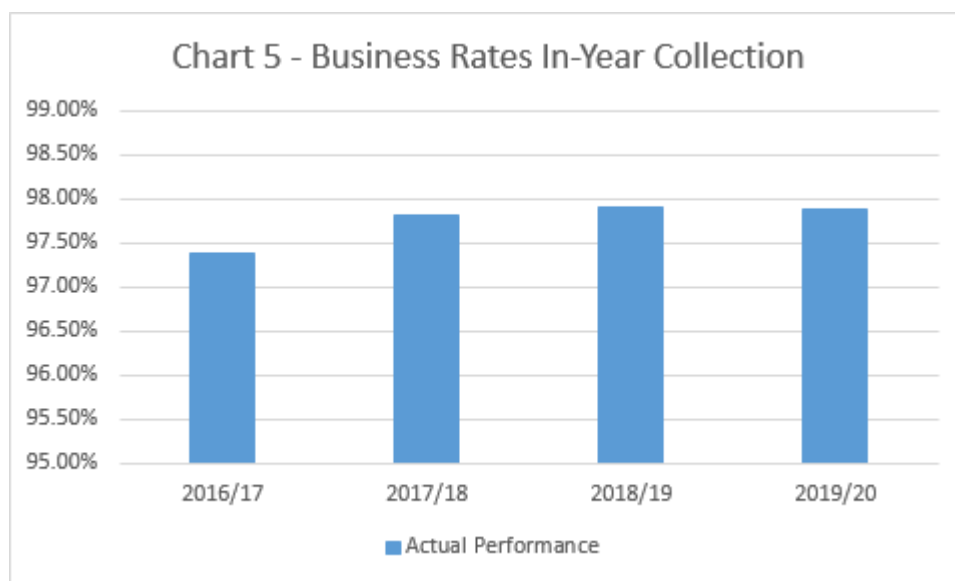
- 4.1. Chart 4 shows the performance for the collection of Council Tax over the last four years. In-year council tax collection at 31 March 2020 was 95.81%, which is 0.02% less than the amount collected by this stage in 2018/19.



- 4.2. The amount of Council Tax arrears collected by the 31 March 2020 was 15.06%, achieved against a target of 14.31%. The arrears performance has benefited from the continuation of stringent recovery action during 2019/20, including the utilisation of enforcement agents where appropriate.

4.3. Administration of the Council Tax Support scheme continues to be challenging, affecting overall council tax collection rates. The continued roll out of Universal Credit is further adversely affecting collection due to the multiple changes incurred throughout the year, delaying recovery of the remaining debt. Changes have been made to the scheme in 2019/20 to reduce expenditure (forecast to be approximately £0.300m), although this will increase pressure on recovery. Further changes have been made for 2020/21 and it will continue to be reviewed to modernise the scheme, reduce administration costs and simplify the scheme for claimants.

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 2020 was 97.89%, which is 0.01% lower than achieved in 2018/19. Achievement would have been higher during this year but was impacted by a higher than normal insolvency rate in addition to some businesses not making agreed payments as a result of COVID-19.



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.

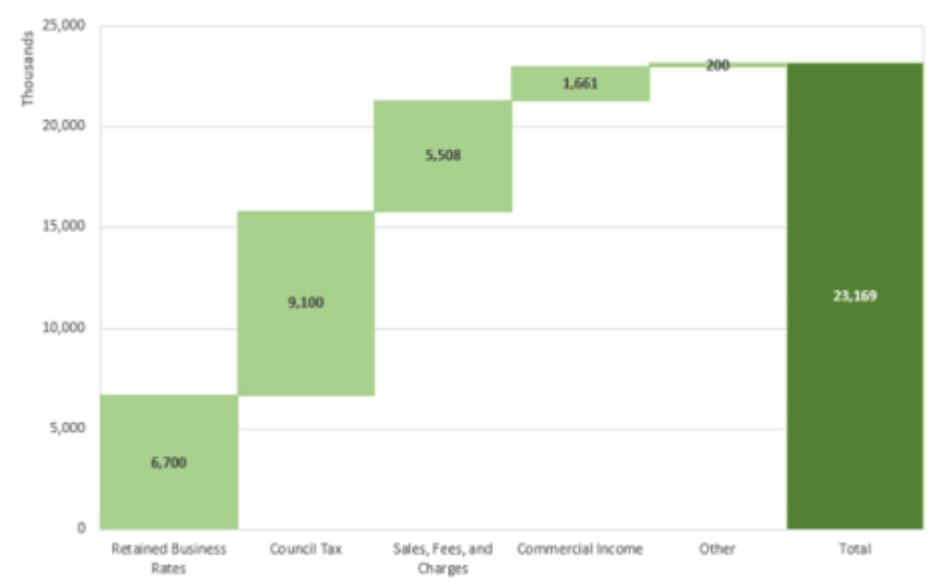
4.6. During 2019/20 the business rates team also implemented the three new discretionary schemes announced in the Spring Budget which benefited small business, public houses and those rate payers most impacted by the 2017 revaluation.

4.7. In terms of Non-Domestic rates arrears, the amount achieved was 51.89% during 2019/20 against a target of 30.00%.

Appendix E- COVID-19 Financial Position

- 1.1 The post pandemic financial resilience of the Council and Local Government in general, is anticipated to be significantly at risk. It is expected that some of the additional costs incurred throughout the response to the pandemic will be difficult to reverse and will increase the Council's expenditure base, at least in the medium term. The recovery of income levels will also prove challenging for the Council. The Council currently heavily relies on income generated from Council Tax and Business Rates, due to the steep reductions in Revenue Support Grant (RSG).
- 1.2 Council Tax income will be effected by a rise in Local Council Tax Support claims, collection rates are expected to be much lower than assumed within the Council Tax base, on top of general growth being much lower due to pause placed on most construction and house building activity. Business Rates income is expected to come under similar pressure, despite the reliefs and grants provided to date by the government. These grants and reliefs will not save all businesses and inevitably as the Chancellor states *'not all businesses can be protected'*. It is likely that there will be business closures and difficulties in collecting prior and future Business Rates income.
- 1.3 The Council is forecasting a devastating reduction in the level of income generated, not only from Business Rates and Council Tax, but other key streams such as parking charges, planning fees, commercial property rental income and other fees and charges across all service. The following chart outlines that the anticipated loss of income could reach £23.2m, dependant on how long the pandemic lasts.

Chart 1: Summary of Expected Income Reductions



**Note- Although the chart shows Council Tax and business Rates income reduction in 2020/21 this will impact on the Councils Budget in 2021/22, and the Councils cashflow in 2020/21*

- 1.4 The Council is also facing financial pressure due to meeting an additional £7m of estimated costs associated with COVID-19. Some of these costs include providing:
- Additional staffing and agency cover;
 - Protective Personal Equipment (PPE) for front line staff;
 - Enhanced technology to support agile working and communication, even in care facilities and highways roles;

- Accommodation for rough sleepers to ensure they can self-isolate safely;
- Set up costs for a temporary mortuary;
- Additional Childrens social care placements;
- The Coordination Hub, including the cost of supplying, storing and distributing food to those in the community that have been identified as vulnerable.
- The Council recently agreed to [10% uplift for organisations who provide Adult Social care](#), recognising the tremendous pressure they face because of COVID-19. This will cost an additional £0.450m per month and has initially been agreed until the end of June.

1.5 The Government have announced several initiatives and support to be delivered to and through Local Government. These include additional funding to the Council, Businesses and individuals, and have been outlined within Table 1. The Government has also provided Local Authorities with advance payments of the RSG and allowed the ability for Council to defer up to £2.6 billion (three months' worth of payments) in business rates payments to central government until July. This is in acknowledgement by the Government that Council's cashflow may be put under strain in the coming months as a result of providing additional vital services in response to the pandemic, combined with a sharp loss of resources.

1.6 The Ministry of Communities and Local Government (MHCLG) has requested regular financial reporting from local authorities, so they can assess the most up to date position across Local Government. The Department for Business, Energy & Industrial Strategy (BIES) are also requesting weekly reporting on the delivery of grant payments to businesses to ensure the support is reaching businesses efficiently. As Mentioned in section 1.4 the Council has implemented a new governance structure, with monitoring the Councils financial position being a priority within this. Therefore, the level of financial scrutiny and monitoring surrounding the COVID-19 pandemic has been enhanced, and regular reports will be taken to Cabinet, to ensure members are fully abreast of the situation.

Table 1: Covid-19 Grant and Support measures administered by Local Government for Peterborough

Government Department	Description	Value of funding £000
MHCLG	£1.6bn Coronavirus (COVID-19) response fund to support for local authorities with financial pressures as a result of COVID-19. This was paid to the Council on 27 March 2020 and has been put in to reserves, as shown in table 6 and appendix B)	5,337
MHCLG	£1.6bn additional Coronavirus (COVID-19) Local Government funding on 18 April the Local Government Secretary announced £1.6bn of additional funding to support Councils respond and help them deal with the immediate impact of the pandemic. The funding will mean councils can continue to provide essential services and support to those who need it most. Grant allocations confirmed on 28 April 2020	5,634
MHCLG	£500m Hardship Fund- for Local Government to provide support to economically vulnerable households. This funding to be used to provide more council tax relief, either through existing council tax support schemes or through complementary reliefs. It is expected that a sum of £150 will be allocated to every recipient of Council Tax Support based on the present information on the Council Tax system	1,669
MHCLG	Business Rates Nursery Discount 2020/21- On 18 March 2020, the government announced that many childcare providers would pay no business rates in	338

Government Department	Description	Value of funding £000
	<p>202/21. In Peterborough there is 31, nursery settings which qualify for this relief, with a total value of £0.338m in relief. The Council share of this relief equates to 49% (£0.166m), which reflects the Councils share of the loss of business income generated. The Government are paying the full amount of relief to local authorities, to support with cashflow and there will be a reconciliation as part of the NNDR3 return for 2020/21.</p> <p>This will be paid to the Council via a section 31 grant.</p>	
MHCLG	<p>Business Rates Expanded Retail Discount- 100% Retail Discount Relief- On 11 March, the Budget announced that businesses in the retail, hospitality and leisure sectors, with a rateable value of less than £51,000, would pay no business rates in 2020/21, then on 17 March, the government announced it would go further by removing the £51,000 rateable value threshold. On 25 March, the Treasury announced that exclusions to the relief, including estate agents, letting agencies and bingo halls, would be lifted and they also would not pay business rates this year. Local authorities will be fully compensated for their loss of Business Rates income as a result of these changes, The Councils share equates to 49%. The Government are paying the full amount of relief, which is expected to be £36.225m for Peterborough, to support local authorities with cashflow. As stated above there will be a reconciliation as part of the NNDR3 return for 2020/21.</p> <p>This will be paid to the Council via a section 31 grant.</p>	36,255
MHCLG	<p>£3.2m homelessness funding : to help reduce impact of COVID-19 on people facing homelessness, including accommodating those where it is difficult to self-isolate. This funding is to be reclaimed once the costs have been incurred.</p>	28
BIES	<p>£13bn of Coronavirus (COVID-19): Small Business Grant Fund (SBGF)- including Retail, Hospitality and Leisure Grant Fund (RHLGF)- This funding is to support those businesses effected by the COVID-19 shut down, to provide them with a lifeline to ensure struggling businesses can continue. It was originally announced by the chancellor on 11 March, but then on the 17 March the level of funding was increased. These grants are being paid to Local authorities to administer and deliver the grant scheme.</p> <p>As at 11 May the Council had issued 91% of grant payments to businesses in Peterborough. BEIS are publishing this data on a weekly basis the delivery of these grants to businesses. They are expecting that at least 90% of these grants will have been delivered by the 30th April.</p>	34,450
Indirectly funded by the Health	<p>The local Clinical Commissioning Group (CCG) have agreed to fund the temporary additional care capacity required in in order to free valuable space within hospitals</p>	<i>Plans to be finalised</i>
	Total benefit to Peterborough (including residents, Businesses and the Council)	83,711

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AUDIT COMMITTEE	AGENDA ITEM No. 11
13 JULY 2020	PUBLIC REPORT

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

RISK MANAGEMENT REPORT

R E C O M M E N D A T I O N S	
FROM: Acting Corporate Director Resources	Deadline date: N/A
<p>It is recommended that Audit Committee</p> <p>1. Note and comment on the Risk Management Report.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted as an update on the analysis undertaken for each Directorate's Risk and Issue register.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.
- 2.2 This report is for the Audit Committee to consider under its Terms of Reference No 2.2.2.12:
To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.3 This report sets out identified risks and mitigating actions in order that the Council delivers its Statutory and Corporate priorities.

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 effect of uncertainty on an organisation's objectives is risk. Risk management is the process of identifying what might go wrong, what the potential consequences could be, and how to best mitigate the likelihood of the risk occurring. If it does go wrong, as is inevitable sometimes, proactive risk management will ensure the impact is kept to a minimum.

4.2 In order to formalise risk management arrangements across the business, Peterborough City Council has developed a Risk Management Strategy.

The objectives of this strategy are to maintain the effective management of risk through:

- Increasing the likelihood of achieving the organisation’s goals and delivering outcomes;
- Improving the identification of opportunities and threats across the project portfolio;
- Improving governance, stakeholder confidence and trust;
- Establishing a reliable basis for informed decision making and planning;
- Effectively allocate and use resources for risk treatment;
- Improving organisational resilience.

4.3 Peterborough City Council is committed to effective risk management arrangements as a means of achieving the council’s strategic objectives. As such the risk management vision is to consolidate and improve existing arrangements to bring about the following benefits:

- Key risks are identified, are being managed and mitigated, both by the council and its partners;
- Resources are directed to the risks that matter and away from risks that don’t - leading to fewer surprises;
- Opportunities are exploited from risk taking, because risks are understood and managed.

4.4 The following criteria is applied to determine if a risk is also a corporate risk:

1. If it would cause reputational damage to the council
2. If it would have a financial impact on the council

Overall the Council has the following Corporate Risks:

Department	High level Risks	Medium level Risks	Low Level Risks
Chief Executive’s	0	5	5
Place and Economy	0	5	2
People and Communities	0	5	0
Public Health	1	0	0
Resources	4	7	0

The high level corporate risks are listed below:

- National public health grant allocation is not sufficient.
- Financial Resilience
- "Brexit" impact on EU funding and regulatory framework
- Failure to achieve MTFS savings targets
- Failure to maintain an effective business continuity plan

Appendix A sets out the council’s high level Red corporate risks in more detail, including their likelihood, impact, and factors being taken to mitigate them. It should be noted, that the risks are taken at a snapshot in time, and due to mitigation and circumstances, will move in level from period to period.

4.5 A Covid-19 Specific Register was produced for dealing with the risks directly associated with Covid-19. These are updated and presented to JMT on a fortnightly basis. Overall Covid-19 risks are as follows:

Department	High level Risks	Medium level Risks	Low Level Risks
------------	------------------	--------------------	-----------------

Resources	7	8	0
Infrastructure to support the Business	0	2	1
Staffing	1	5	0
Operational Concerns	2	16	3
Social Care	0	8	0
Communities	0	3	0
Other	0	4	0

The high level Covid-19 risks are listed below:

- Finance Resilience
- MTFS
- S114 letter
- Failure to maintain an effective Business Continuity plan
- Transformation
- Collections Levels
- Income levels
- Safeguarding
- Care service
- Hospital Discharge
- Ineffective infection control by adult care service providers

Please refer **Appendix B** for a breakdown for the Covid-19 associated Red risks.

5. CONSULTATION

- 5.1 There is a bi-monthly Risk Management meeting where lead officers update departmental Risk Registers and review a detailed analysis of both departmental and corporate risks.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 That risks to the delivery of council services are identified and rated in a timely manner and mitigating actions are put in place to minimise their impact.

That risks are reviewed on a periodic basis to ensure their impact and likelihood are correctly stated and mitigating actions are being delivered.

7. REASON FOR THE RECOMMENDATION

- 7.1 The Audit Committee must be assured that the council has processes in place to identify risks on a timely basis and that actions are put in place to monitor and mitigate their effects.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 N/A

9. IMPLICATIONS

Financial Implications

- 9.1 None in this report, however there may be costs associated with individual risk mitigations. These are picked up in the normal monthly monitoring process.

Legal Implications

9.2 *N/A*

Equalities Implications

9.3 *N/A*

10. APPENDICES

10.1 Appendix A: Corporate Risk Register (Red Risks)
Appendix B: Covid Risk Register (Risks)

RAYG Status	Last Update	Risk Title	Risk Description	Financial Impact	Financial Impact Value (£)	Mitigating Action	Mitigating Action Cost (£)	Likelihood	Impact	Over Risk Appetite?	Risk Type	Trend	Corporate Risk	Risk Owners
Public Health ■1 ■0 ■0														
PR002482 : Public Health Departmental Risk Register ■1 ■0 ■0														
16	05/06/20	National public health grant allocation is not sufficient.	<p>There is a risk that the Public Health Grant allocation to Peterborough is not sufficient to meet the need for Public Health Services.</p> <p>Despite a slight increase in national grant allocation 2020/21 to £54.42 per head, this is still a risk.</p> <p>The consequences are a failure to improve public health outcomes due to insufficient investment in Public Health Services.</p>			<p>PH DMT</p> <p>Change in allocation DPH meetings with Finance team to track budget.</p> <p>CMT</p> <p>1) Full participation in budget rounds and budget planning</p> <p>2) Monthly financial reporting and business planning/staffing discussions at PH DMT</p> <p>3) Ongoing joint working across directorates of co-placed staff</p>	<p>Updated 05/06/2020 PH DMT acknowledge that the grant has increased, however this remains a red rating</p> <p>Updated 08/04/2020 Updates for risk are pending. Public Health is focussed on COVID-19 incident emergency response and Business Continuity. The CCC quarterly Risk Management meeting due to take place in April 2020 will now take place in May 2020. Further updates will be provided then.</p> <p>Updated 22/1/2020 Public Health are 20% below the correct allocation under the national formula, and there has been a 10% cash reduction in the grant since 2015.</p> <p>The recent announcement of a potential increase in the Public Health Grant does not yet have any detail behind it, and is very unlikely to significantly address either the 20% gap or the 10% cash reduction.</p> <p>Work with CPFT & CCG is now complete</p>	4	4	Yes	Economic / Financial/Market	Steady	Yes	Liz Robin
Resources ■4 ■7 ■0														
PR002415 : Resources BAU ■4 ■7 ■0														
25	27/05/20	Financial Resilience	There is a risk that the Council's financial resilience is insufficient to further withstand the combined pressures of reduced grant funding and increased cost and demand pressures. Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The consequence is an unsustainable and financially unviable organisation beyond the short term.	Yes		<p>16/05/2019 - The council has been working with Grant Thornton to develop a "financial bridge" and longer-term recovery plan to secure sustainability and guard against a S114 situation.</p> <p>A number of metrics are being developed to assess financial resilience across Local Government. The strategy to strengthen financial resilience is underpinned by a set of financial planning and management arrangements. However, a clear route to a sustainable medium-term financial position has not yet been fully identified.</p>	<p>27/05/20 Dependant on govt funding of Covid19. Other LAs in similar position</p> <p>20/03/20 COVID-19 issue presents further threat to financial resilience, both as a consequence of additional costs, and from diverting resources and attention from the actions required to address this risk.</p> <p>21/1/20 Tranche 2 budget proposals being developed; VR exercise to release "fast cash". Capitalisation direction being sought - significant in securing ability to fund transition to sustainable budget position. Structural deficit (c7m) remaining.</p>	5	5	Yes	Economic / Financial/Market	Steady	Yes	Peter Carpenter
20	27/05/20	"Brexit" impact on EU funding and regulatory framework	There is a Risk that the vote to leave EU impacts procurement arrangements and costs / availability of services. The consequence is uncertainty around EU funding, possible disruptions to the labour market / uncertainty around service demand / provision."	Yes		<p>Consequences of vote UK's decision to leave the UK to be monitored as they emerge</p> <p>Consequences of policy developments / funding changes to be reported to CMT at the earliest opportunity. A review is being undertaken of critical supply chains to avoid any payment issues in April 2019</p>	<p>27/05/2019 - attention to Brexit matters diverted by Covid19, but timetable still 31/12 and impact is not fully understood</p> <p>16/05/2019 - there is a separate Brexit risk log that looks at all the possible impacts on PCC operations.</p>	4	5	Yes	Political	Steady	Yes	Peter Carpenter
16	20/01/20	Failure to achieve MTFS savings targets	There is a Risk that MTFS savings targets are not achieved, or costs are not contained within approved budget, leading to overspending. The consequence is unplanned cessation of services. Reserve levels adversely impacted and additional and / or emergency savings measures need to be taken.	Yes		<p>Ensure robustness of proposals and closely monitor implementation and delivery in conjunction with BCR. DMT to identify early warning of risk areas and develop solutions. A savings RAG review is included in the BCR process to support this. This is currently showing red for several £m savings in 19/20</p>	<p>27/5 COVID-19 reports set out the 2020/21 savings which are not being delivered. Potential £10m budget gap reported to MHCLG in May 2020 which will need to be bridged.</p> <p>21/1/20 Links to Financial controls workstreams, & planned improvements to culture of financial management.</p>	4	4	Yes	Economic / Financial/Market	Steady	Yes	Peter Carpenter
15	27/05/20	Failure to maintain an effective business continuity plan	There is a risk of failure to maintain an effective business continuity plan for all relevant service areas. The consequence is disruption caused by service failure leading to hardship for individuals, potential loss of business and significant reputation damage. Loss of IT Loss of key records Loss of office accommodation.	Yes		<p>Revisit all business continuity plans 1/2 yearly review going forward</p> <p>Establish emergency response toolkit and re-issue</p>	<p>27/05/20 Business continuity arrangements tested by Covid19 response. WFH arrangements worked well but reliance on ICT is paramount.</p> <p>21/1/20 New joint CCC / PCC risk & resilience function (Customer & Digital Services) have started engagement with teams to update BCPs.</p>	3	5	No	Strategic / Commercial	Steady	Yes	Peter Carpenter

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Risk Assessment

RAYG Status	Last Update	Risk Title	Risk Description	Financial Impact	Financial Impact Value (£)	Mitigating Action	UPDATE	Likelihood	Impact	Over Risk Appetite?	Risk Type	Trend	Group Ownership	Risk Owners
COVID-19 RESOURCES														
25	23-04-2020	Financial Resilience	There is a risk that the Councils financial resilience is insufficient to further withstand the combined pressures of reduced grant funding and increased cost of demand pressures due to COVID-19 Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The consequence is an unsustainable and financially unviable organisation beyond the short term	Yes	£14m in 2020/21	A number of metrics have been developed to assess financial resilience across Local Government. The strategy to strengthen financial resilience is underpinned by a set of financial planning and management arrangements. Monthly returns are made to MHCLG to update on the full impact of COVID-19 pressures. Weekly meetings between representatives of Council finance representatives (Unitaries, Districts, Counties, Mets, Boroughs) and MHCLG Weekly updates to JMT and monthly updates via Cabinet on 2020/21 position.	COVID-19 presents further threat to financial resilience both as a consequence of additional costs and from diverting resources and attention from the actions required to address this risk. Latest return to MHCLG was the 19th June which set out the Councils present gap at £14m.	5	5	yes	Economic Financial	Increasing	CMT	Pete Carpenter
25	23-04-2020	MTFS	Non- delivery of the MTFS due to COVID-19 factors leading to budget overspend, loss of control and reduction of reserves (if available)	Yes	As above for 2020/21, still being determined for 2021/22.	April and May monitoring reported to cabinet. Weekly reporting of COVID-19 issues to JMT. Monthly reporting of COVID-19 Pressures to MHCLG Resources Directorate have closed 2019/2020 accounts meaning that opening 2020/21 position is agreed. Dependent on spend trends and additional Government Funding, a further spending freeze could be implemented to concentrate on essential services only (decision would be required to specify which these services are)	Since April, no further delivery of Government Grants and present Council Gap in 20/21 is £14m Require a solution to Collection Fund issues (non collection of Council Tax and Business Rates) from MHCLG - this will affect the 2021/22 budget.	5	5	yes	Financial	Increasing	CMT FIP / RIT	Pete Carpenter
20	23-04-2020	S114 Letter	There is a risk of significant disruption and cost arising from the COVID-19 outbreak. Insufficient funding (whether as a result of overspending or lack of funding receivable from activities or government) leads to the s151 Officer issuing a s114 Notice that the Council is bankrupt and cannot fulfil its statutory duties. Audit of 2019/20 accounts will require a "Going Concern" view which might trigger a S114 Letter if Government support has not been clarified at that stage.	Yes	As above for 2020/21, still being determined for 2021/22.	Resources monitored frequently (and COVID-19 expenditure separately recording in Ledger and additional funding receivable from government). Impact from loss of other revenue streams being monitored and reported through to MHCLG / LGA. MHCLG have asked for Council to discuss with them if they get near a S114 position.	Dependent on Government Support being granted both for 2020/21 and 2021/22.	4	5	Yes	Reputation	Steady		Pete Carpenter
15	23-04-2020	Failure to maintain an effective business continuity plan	There is a risk of failure to maintain an effective business continuity plan for all relevant service areas. The consequence is disruption caused by service failure leading to hardship for individuals, potential loss of business and significant reputation damage. Loss of IT Loss of key records / Loss of office accommodation.	Yes		Revisit all business continuity plans with minimum of 1/2 yearly review going forward Establish emergency response toolkit and re-issue	Presently working effectively from Home, but so is the general public. This way of working will change once restrictions are relaxed and then delivery will be dependent on status of staff.	3	5	Yes	Strategic Commercial	Steady	CMT	Pete Carpenter
16	23-04-2020	Transformation	FIT / RIT outputs are not met leading to inability to deliver savings and consequential unbalanced budget. (Link to MTFS)	Yes		Monitoring arrangements in place against each transformation scheme (RAG rated) Project management / programme management embedded within the approach Like most Councils - will be a dependency on present and future years Government Funding.	Have already highlighted that 20/21 savings are not being delivered. Due to COVID-19 existing processes were stopped to concentrate on those issues, these will start again in July	4	4	Yes	Financial	NEW	CMT FIP / RIT	Pete Carpenter
16	23-04-2020	Collection levels	PCC payment holidays for Council Tax, NNDR results in insufficient funds being collected to enable payment of precepts to Fire / Police / Parish Councils at designated times.	Yes		Resources monitoring income levels from all Collection Fund. Regular reporting through to CMT. Active recovery will start again in July - like most other Councils there has not been active recovery taking place in April, May or June.	Collection levels for April, May and June are significantly lower than last year. Require a solution to Collection Fund issues (non collection of Council Tax and Business Rates) from MHCLG - this will affect the 2021/22 budget.	4	4	yes	Financial	NEW	SERCO	Pete Carpenter
15	23-04-2020	Income levels	Other income sources dry up as payment holidays are put in place e.g. car parking income	Yes		Month on month comparisons of income streams. Regular monthly reporting. Not sure on the effect in 2021/22 although will reduce.	Presently £6.8m of budgeted income will not be delivered this year.	5	3	yes	Financial	NEW	Resources	Pete Carpenter
STAFFING														
16	23-04-2020	Mental Health	Future MH issues as a result of ongoing lockdown arrangements. Leads to long term reduction in service delivery, increased absence and possible loss of knowledge from the business	Yes		Daily updates and targeted campaign to support. Communication signposts to correct areas	Health & Wellbeing page on intranet set up containing various sources of support. Regular messages to staff shared on intranet and daily comms.	4	4	yes	Operational	NEW	Heads of Service	Mandy Pullen
OPERATIONAL CONCERNS														
15	23-04-2020	Safeguarding	Adults and Children are at risk of harm due to a breakdown in safeguarding arrangements,	Yes		Safeguarding Board arrangements		3	5	yes	Operational	Steady	People and Communities	Wendi Ogle-Welbourn
15	23-04-2020	Care service	Care service fails / bankrupt / closes Risk that immediate demand for PCC to take over the service	Yes		Sharing arrangements with other Councils. Uplift of care charges to assist sector		3	5	yes	Operational	Steady	People and Communities	Wendi Ogle-Welbourn

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AUDIT COMMITTEE	AGENDA ITEM No. 12
13 JULY 2020	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Corporate Director Resources	
Cabinet Member(s) responsible:	David Seaton – Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter – Acting Corporate Director Resources Sam Davidson – Financial Consultant	Tel. 01733 - 452520

FINANCIAL CONTROLS

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter, Acting Corporate Director Resources	Deadline date: 3 rd July 2020
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Notes the progress that has been made towards implementing the Financial Improvement Programme (FIP) recommendations made by Grant Thornton following their review of financial controls and procedures during 2019. 	

1. PURPOSE AND REASON FOR REPORT

- 1.1 1. The purpose of this report is to inform the Audit Committee of progress to date achieved by PCC in implementing the range of recommendations made by Grant Thornton following their review of financial controls and procedures. Grant Thornton compiled their report following a survey of practices within PCC and put forward a range of proposals grouped into 20 key areas designed to ensure that PCC are following best practice. PCC then constituted a Financial Controls Board to oversee the implementation of the review. This report is intended to show the progress that has been made and to reassure the Audit Committee that PCC manages its finances through high quality internal controls and is actively working to improve them and follow best practice.
2. There were no fundamental financial controls missing from PCC. All of the recommendations build on processes that were already in place and are designed to move the organisation from a position of strength towards best practice. This is evidenced by successive unqualified audit reports of the financial statements as well as the ISA 260 statements made by our external auditors Ernst and Young LLP.
3. There are 2 appendices to this report:
- Appendix 1 is the tracker that details the individual recommendations and what actions have been taken to meet those recommendations;
 - Appendix 2 is a graphical illustration of the progress made in implementing the Grant Thornton report over the last few months.

2. BACKGROUND AND KEY ISSUES

- 2.1 During the early months of the 2019/20 financial year the monthly budgetary control reports were showing a significant projected overspend against the budget. PCC was in a position where it needed to compile a range of cost saving measures to address the situation and to assess its internal controls to give itself assurance that policies decided upon by the management team could be effectively implemented.
- 2.2 The longer term situation also required active steps to be taken as there was an ongoing deficit for future year's budgets from 2020/21 onwards.
- 2.3 At the same time, there was limited capacity within the finance function of the Resources Directorate at a senior level available to carry out a comprehensive review of finance procedures.
- 2.4 Grant Thornton (GT) were engaged to provide the additional capacity required. A major component of their commission being to conduct a thorough review of financial procedures within PCC and through their wide experience of similar organisations provide advice as to how PCC compares with other local authority finance departments and what changes would be required to meet best practice.
- 2.5 The result was that GT produced a report in early autumn 2019 setting out a range of recommendations grouped between immediate and medium-term implementation across 20 broad areas. In the majority of cases, PCC was already operating procedures similar to those proposed. The report mostly sought to take these controls and build on them or to recommend a review of certain areas to ensure that they were working effectively.
- 2.6 These 20 areas were broken down further into 44 separate actions, each requiring some level of active investigation or implementation. The short and mediums term recommendations are attached at Appendix 1 (first two columns). The size and complexity of these proposals varies enormously. The largest is the rewriting of all the financial regulations for PCC, whereas re-establishing a procurement working group was very quickly achieved.
- 2.7 GT stressed that the recommendations were made in a spirit of looking to address particular issues and where the specific proposal proves to be impractical, PCC should seek to achieve the same ends through alternative means unless it is already dealt with through internal controls.
- 2.8 PCC set up a Financial Controls Board swiftly after the report was issued to meet weekly and to oversee the implementation of its proposals. The Board was made up of senior finance staff and chaired by a senior change management consultant.
- 2.9 During the last few months, a great deal of progress has been made in implementing these recommendations and Appendix 1 illustrates the detail of this in tabular form in the final column. Appendix 2 transforms this data into a graph.
- 2.10 Throughout this process, verification has been sought from our Internal Audit department to ensure that they agree with our assessment of the progress that we have made. Similarly, contact was maintained with Grant Thornton to ensure that PCC understood the spirit of each section of the report.
- 2.11 The overall position is that significant progress has been made across all 20 areas of activity: -
- Major tasks have been completed, including:
 - The existing Financial Regulations have been rewritten;
 - A new Scheme of Delegation has been remodelled and separated from the Financial Regulations. These two documents will be put before the Constitution and Ethics Committee in due course;
 - The contracts register has been reviewed and updated;
 - A review of the use of purchase cards was undertaken and procedures were updated. The review found that there was no control issue with PCards;
 - A thoroughgoing review of volatile budgets has been undertaken, continuing with such work implemented in previous years;

- The already established savings strategy emanating from the Finance Improvement Programme has been implemented across PCC, including cross cutting savings.
- More easily achieved improvements have been completed:
 - A procurement working group has been re-established;
 - A monthly contract monitoring report has been drafted for CMT;
 - A clampdown on invoice authorisation without a purchase order has occurred. This is a long standing policy and a review is undertaken periodically to provide reassurance of its effectiveness;
 - Improving the content of the monthly financial reports and establishing updated forums for senior operational and finance staff to meet and discuss them. There has always been an ambition to keep improving these reports and GT provided some helpful ideas around consistency and RAG analysis;
 - Individual budget challenge sessions are held to ensure comprehensive coverage. The role of the Finance Manager has been clearly defined and specified in the new Financial Regulations;
 - This challenge process has been integrated into future budget setting plans.
- A further range of initiatives and recommendations are partially complete and well advanced towards implementation. All of them with a final target date set:
 - A Financial Procedures Manual is in the process of compilation. There is a range of procedures in place, but we are now working towards a library of guides to be found together and in the same format;
 - A review of budget holders in the main accounting system and the Scheme of Delegation is well advanced;
 - A process to address cultural change among budget holders, through training and education and regular appraisal is in development;
 - Great progress has been made in removing finance managers from the approval process;
 - Contract procedure rules in the constitution are in the process of being reviewed and updated;
 - The budget process for future years, already thorough and comprehensive, is being reviewed;
 - Progress has been made towards the enforcement of each budget holder's financial envelope;
 - The implementation of procedures to assess the success of previous year's savings plans are well advanced;
 - Protocols for future savings plans are in hand to ensure that all savings are recurring;
 - The level of member involvement is being reviewed;
 - A dashboard finance report for CMT has been developed and used in the April 2020 monitoring report;
 - A standardised budget holder training pack is in development;
 - The main ledger system is to be upgraded later in the calendar year to include, among other things, improved and standardised reports;
 - Training and communication strategies are in development to establish a clear set of financial values around financial control and accountability and to embed these cultural changes;
 - The potential for the rotation of finance professionals is being explored.

Finally, when the accounts for 2019/20 were closed and the financial statements were compiled, the outturn position showed a break even position. This was a £7m turn-around in position over the financial year. This is a testament to the procedures that were already in place and the work that employees throughout PCC and its partners undertook to maintain financial control.

The Audit Committee is asked to take note of the progress that has been made.

3. CONSULTATION

3.1 This report has been discussed in the Financial Controls Board, and this is the next stage of the process. This work is a fundamental plank of the argument the Council used with the Ministry of Housing Communities and Local Government (MHCLG) to obtain the Capitalisation Direction and is referred to in the 2020/21 MTF5.

To deliver changes set out in this paper, further consultation with JMT is required and then approval through the correct Governance processes as we move back to a more “business as usual” approach from our COVID-19 focus which has been the case since March.

4. IMPLICATIONS

Financial Implications

4.1 Although there are no direct financial implications of this report, the implementation of the revised and tightened process will ensure the Council’s finances are managed to an even higher level than they are now.

Legal Implications

4.2 There are no direct implications in this report. However, implementation of some of the recommendations will require changes to the Councils Standing Orders and as such require approval at the Constitution and Ethics Committee.

Equalities Implications

4.3 No direct equalities implications

Carbon Impact Assessment

4.5 No direct Implications

5. BACKGROUND DOCUMENTS

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

5.1 See Appendices

6. APPENDICES

6.1 Appendix 1 – Management Response to GT Recommendations
Appendix 2 – Recommendation Tracker

Grant Thornton Recommendations				
No	Area of Activity	Immediate Implementation	Medium Term Implementation	PCC Management Response
1	Scheme of financial delegation	Develop a formal corporate scheme of financial delegation, with contributions from service directors. This should be the definitive list used to reconcile to tier approval authorities within Agresso and supporting financial systems (such as Framework I).	Update the Financial Regulations and Constitution to incorporate a formal scheme of financial delegation. Develop a supporting Financial Procedures manual to provide further clarity on the role of officers within the financial control framework.	<p>The Financial Regulations and the Scheme of Delegation have both been completely rewritten and updated. They have also been divided into separate documents.</p> <p>Appendix 1 of the scheme of financial delegation is the approval hierarchy maintained within the council’s finance system “Agresso”. This has been reviewed and is subject to regular updating.</p> <p>A financial procedures manual is in the process of compilation.</p> <p>The updated financial regulations will now need to pass through Joint Management Team and then Constitution and Ethics Committee.</p>

Appendix 1 – Management Response to GT Recommendations

2	Review of budget holders and approvers	Review the list of budget holders and tier 0-6 approvers on Agresso and other supporting financial systems to make sure nominated individuals are appropriate and able to provide effective review. Effective arrangements for the use of interim personnel, cover, joint roles and the consequences of re-organisation should be an area of focus.	The nominated budget holders and approvers on the Scheme of Financial delegation should be reviewed, updated and signed off as accurate by services, on a quarterly basis (potentially based on a download from Agresso, reconciled to supporting financial systems where appropriate).	This review has been conducted, and will be repeated on a regular basis. There are some roles that are performed by employees of Cambridgeshire County Council on a shared basis, and for these roles, the authority to act for Peterborough City Council is required to be evidenced in a formal agreement (such as in S113 of the Local Government Act 1972). Not all of those agreements are as yet finalised.
3	Effectiveness of budget approval controls	Budget holders and approvers to be briefed on their individual responsibilities and the importance of adequate review.	Budget approvers to be held to account for adverse budget variances related to non-compliance with controls (e.g. supplier procurement) and short term restrictions such as restrictions on non-essential spend.	A practice note on the responsibilities of budget holders in the control environment has been produced and will be communicated as part of a wider package of training and communications to educate budget holders. Additional spend controls have been implemented to address in year variances as evidenced in the outturn report. These include business cases for all expenditure over £10k and tighter establishment controls.

Appendix 1 – Management Response to GT Recommendations

4	The role of finance managers	Finance Managers should be removed from the budget hierarchy in Agresso (and other systems) where they are primary budget holders or approvers, and replaced with appropriate service managers. Arrangements, can be made for Finance Managers to act as dual authoriser as appropriate, and to act as approvers and budget holders only in exceptional circumstances.	The distinct roles of finance managers and budget holders and approvers, should be reviewed and clearly defined in the updated Financial Regulations.	<p>The updates to the hierarchy described in point 2 has addressed this point. Some approval positions remain outstanding, due to recruitment in progress, and the completion of agreements in relation to shared roles. Finance managers do not hold sole approval responsibilities, but continue to act as dual authorisers and provide additional control where appropriate.</p> <p>The updated financial regulations have been updated to clearly define the roles of budget holders and finance managers.</p>
5	Procurement processes	The contracts register should be reviewed and updated and reconciled to approved suppliers on Agresso at least quarterly.	<p>Contract Procedure rules in the constitution should be reviewed and updated.</p> <p>Consider re-establishing a procurement working group (with revised terms as necessary) to enable procurement rules and compliance to be monitored. This could also provide a corporate level forum to improve visibility on social care commissioning.</p> <p>Monitoring information for major contracts, and key care commissioning decisions should be consolidated into a periodic report to CMT.</p>	<p>The contracts register has been reviewed and updated.</p> <p>A procurement working group has been re-established.</p> <p>A monthly contract monitoring report has been created for CMT with a range of KPI information included. This was presented to CMT for review/comment in June.</p> <p>Contract procedure rules have been reviewed and are in the process of being updated.</p>

Appendix 1 – Management Response to GT Recommendations

6	<p>Control over financial commitments</p>	<p>A list of invoices paid without a PO should be monitored by corporate finance and the monthly total should be reported to CMT. Responsible budget holders should be reminded of their responsibilities.</p> <p>In order to strengthen financial discipline, consider a temporary suspension of non-essential spend to be implemented at PO stage. Non-essential spend will need to be clearly defined and guidance circulated to budget holders. Finance Managers and budget approvers could be used to check compliance (e.g. for transactions over a certain value). This could be supported by a dual signatory system, to some extent replacing their role as prime approver and budget holder, where this is applicable.</p>	<p>The Council should rigorously enforce a policy of 3-way matching of PO, Invoice and goods received note, and non-compliance should be followed up with budget holders.</p> <p>Review the tolerance levels for unmatched PO values.</p> <p>Review the case for current exemptions to the PO process.</p> <p>Ensure that where exemptions are confirmed as operationally valid, alternative arrangements are put in place to monitor the value and timing of financial commitments.</p>	<p>Control over the payment of invoices is very strong. Within the Accounts Payable module of Agresso there are very few payments without a PO. Those that exist are separately agreed and closely monitored. The majority of these are payments from key interfaces such as Mosaic.</p> <p>Three-way matching of invoice, goods received notes and purchase orders is enforced. Any non-compliance is due to a necessity to pay in advance. This is strictly controlled and closely monitored.</p> <p>Periodically, a ban on non-essential expenditure takes place, as was the case at one point during the 2019/20 financial year.</p>
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Appendix 1 – Management Response to GT Recommendations

7	Purchase cards	The Council should review the criteria for issuing PCards and setting limits and consider whether this should be scaled down in order to reduce risk.	<p>Implement an annual review of P-Card limits and usage.</p> <p>Consider the value of reporting the total balance held on P-Cards each month to CMT.</p>	<p>A review of Purchase cards has been undertaken, including updating the policy governing their usage. Transactional activity has been monitored to establish whether there is any “channel shift” to this method of purchasing, as a way of circumventing the tightened financial controls in other areas. This has proven not to be the case, and purchase cards remain in appropriate use in line with policy. Wider reporting on P-card usage is being developed as part of the procurement dashboard.</p>
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Appendix 1 – Management Response to GT Recommendations

8	Accuracy of roll forward service budgets	Budget holders should be required to review their budgets and process virements, where this would result in a more accurate allocation of resources and improve transparency in regard to financial performance.	A zero-based budgeting exercise should be planned and implemented for the start of the 2021/22 planning cycle.	Budget holders are consulted in the development of their budgets and dialogue with finance teams is undertaken to identify risk areas. 2020/21 Budget items have been loaded on to Agresso and certified by the Section 151 officer as deliverable within a reasonable margin of risk. The 2021/22 planning cycle will take account of known activity and cost baselines and consider service proposals that will be necessary to contain this within the available resources. The impact of Covid19 will have a bearing on this.
9	Managing budget volatility	N/A	A review of service budgets should include arrangements to manage budgets known to be volatile, and likely to lead to under or overspends. This can be done through the creation of budgeted contingencies or contributions to an earmarked reserve.	Scrutiny of relevant budgets was undertaken in 2019/20. For the longer term, the Finance Improvement Programme management board were presented with a paper on the establishment and implementation of a risk based approach to the managing of in year revenue budgets to limit volatility. The bulk of month end review is concentrated on volatile budget areas.

Appendix 1 – Management Response to GT Recommendations

10	Enforcement of financial envelopes	All budget holders should be required to sign a declaration that they have confidence in the budget they have put forward, and the savings attributable to it. This will re-enforce the message of personal accountability and encourage the evaluation of risk.	<p>The ‘cash limit’ reflected by the agreed service budgets for 2020/21 should be rigorously enforced by CMT, and the onus should be on services to manage overspends within the overall limit, using virements where appropriate.</p> <p>Service pressures that are agreed to be funded from additional resources, must be funded from savings generated elsewhere.</p>	<p>Job descriptions of budget managers are being reviewed with HR to ensure they include appropriate references to their financial responsibilities.</p> <p>A training and communications package is being developed in liaison with HR to reinforce budget holder responsibility.</p> <p>A training package is also being targeted at the management accounts team to reinforce a move towards business partnering.</p> <p>The budget holder declaration proposal has been dropped as no examples of such letters or organisations using them could be found.</p>
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Appendix 1 – Management Response to GT Recommendations

11	Robustness of savings/ income proposals	All savings proposals and income targets set in prior years should be revisited to ensure that they will be delivered as planned and that alternative plans are developed if necessary. These have been reported as unplanned pressures in the CMT finance reports (May 2019).	In future, the Council’s deficit reduction plans should be based on recurrent deliverable efficiencies and income only. One off savings and cost avoidance measures should be separately identified and used to manage risk.	<p>Item 9 above also refers. There is a gateway process through the Rapid Implementation Team (RIT) to evaluate the deliverability and risks associated with budget proposals, so that the decision to include them in the budget or not can be taken on a fully informed basis.</p> <p>The robustness of the PCC savings package has been illustrated by breaking even in 2019/20.</p> <p>All such proposals are scrutinised at RIT and then the Financial Improvement Programme (FIP) Board before moving to Members and the associated scrutiny of the formal budget setting process.</p> <p>These meetings have not taken place during the COVID-19 Emergency but are being reconstituted in July.</p>
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Appendix 1 – Management Response to GT Recommendations

12	Framework for savings and income proposals	<p>The current Financial Improvement Programme and the savings strategy arising from it needs to be implemented as a matter of urgency.</p> <p>This should include a focus on cross-cutting savings, interdependencies and potential double counting.</p>	<p>The Financial Improvement Programme should be consolidated and established as an ongoing process and the principles embedded into the financial culture of Peterborough.</p> <p>This should include a shift from the creation of a set list of proposals to be approved or rejected, to a rolling pipeline or funnel model. This will help to engage with members by setting out options and alternatives.</p> <p>This should also include a focus on cross service collaboration.</p>	<p>Items 9 and 11 also refer. The delivery of the Financial Improvement Programme (Management) and Financial Improvement Programme (Delivery) work program and associated Governance arrangements have been established to embed this approach.</p> <p>The savings strategy has been implemented and absorbed into budgets from 2020/21 going forward.</p> <p>This includes both PCC wide initiatives and department-based efficiencies.</p> <p>Because of the COVID-19 Emergency, there is now also a Recovery Board which meets monthly. Here approval is given for delivery of new ways of working across PCC and CCC which then link into the budget process.</p>
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Appendix 1 – Management Response to GT Recommendations

13	<p>Governance and challenge of proposals</p>	<p>All future savings, income and investment proposals to be challenged through expanded PMO/spend authorisation structures, initially established under the Financial Improvement Programme, before being submitted to CMT and members.</p> <p>Proposals to be reviewed in detail to test strategic fit, deliverability, the value and timing of recurrent benefits, and sensitivity to risk. The expectation is that most will require further development.</p>	<p>The budget challenge process to be embedded as an ongoing part of the budget process in future years.</p>	<p>The challenge process is now embedded in the budget setting process through the RIT, FIP and now the new Recovery Board. As is set out in point 11 above, these meetings have not taken place during the COVID-19 Emergency but are being reconstituted in July.</p> <p>As part of this initial process budgetary plans are examined against strategic objectives to ensure that they meet the needs of PCC and the city and tested for deliverability.</p> <p>Following this, Scrutiny occurs in various Member forums culminating in the Budget Scrutiny Meetings and then Full Council.</p> <p>Consultation takes place with a range of stakeholders whose views are published in Equality Impact assessments where required.</p> <p>This all forms the overall Medium Term Financial Strategy (MTFS).</p>
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Appendix 1 – Management Response to GT Recommendations

14	Involvement of members	The Council should consider whether member involvement in the budget planning process should reduce (e.g. from 4 tranches to 2.)	The Council should consider whether the layers of member scrutiny at each stage could be reduced or consolidated.	This will be reviewed later in the financial year – it has not been possible to have the conversations required in the present COVID-19 driven environment where the formal meeting schedules are significantly affected.
15	Budget monitoring information – CMT and Cabinet	<p>The new expanded PMO spend authorisation structures, should include provision for selected senior officers and finance to meet monthly to conduct detailed review of the financial performance information.</p> <p>The Financial content of the CMT pack should be made more concise and checked to ensure that coverage of key areas, such as expenditure commitments are adequately covered.</p>	Information to CMT and Cabinet should be developed into a more accessible 'dashboard format' that integrates financial outcomes and service performance indicators. CMT members should be consulted on their needs and preferences.	<p>A dashboard format of finance reporting has been developed and was first delivered to CMT on 20th May 2020. This has encompassed a range of other improvements, including a RAG savings analysis and greater concentration on areas of materiality.</p> <p>This corporate finance team will consistently seek to amend this report in the light of available information and CMT needs.</p> <p>There is no expanded PMO as originally envisioned.</p> <p>Detailed review of financial performance between operations and finance takes place at a range of levels.</p>

Appendix 1 – Management Response to GT Recommendations

16	Budget monitoring information – Budget Holders	N/a	<p>The development of a standardised budget holder pack should be considered, to make sure budget holders have all the information they need to provide robust review.</p> <p>An alternative may be to develop the use of self-service reporting through training and/or systems development.</p>	<p>A standardised budget holder pack is at present being developed and is near to completion. This will allow budget holders to attain a consistent standard.</p> <p>At present budget holders receive comprehensive monthly monitoring information from their management accounts team.</p> <p>Budget holders are able to download monitoring information from Agresso. This will be made easier later in the year when Agresso is upgraded and reports become standardised and easier to use.</p>
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Appendix 1 – Management Response to GT Recommendations

17	Monitoring of savings	The monthly report to CMT should include a RAG rated analysis of savings plan pipeline and funnel being developed to close the funding gap in the following year. This should be based on a standardised template to be completed by the services, and consolidated by the corporate finance team. This should be subject to regular review and robust follow up.	N/A	<p>As noted at 19 below and 15 above, the monthly CMT report has undergone a reworking to make it more user friendly and to concentrate further on the major issues.</p> <p>This includes a RAG rated analysis of savings that is regularly reviewed and followed up.</p> <p>The processes now embedded ensured the 19/20 financial position became break even. These controls improve that process.</p>
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Appendix 1 – Management Response to GT Recommendations

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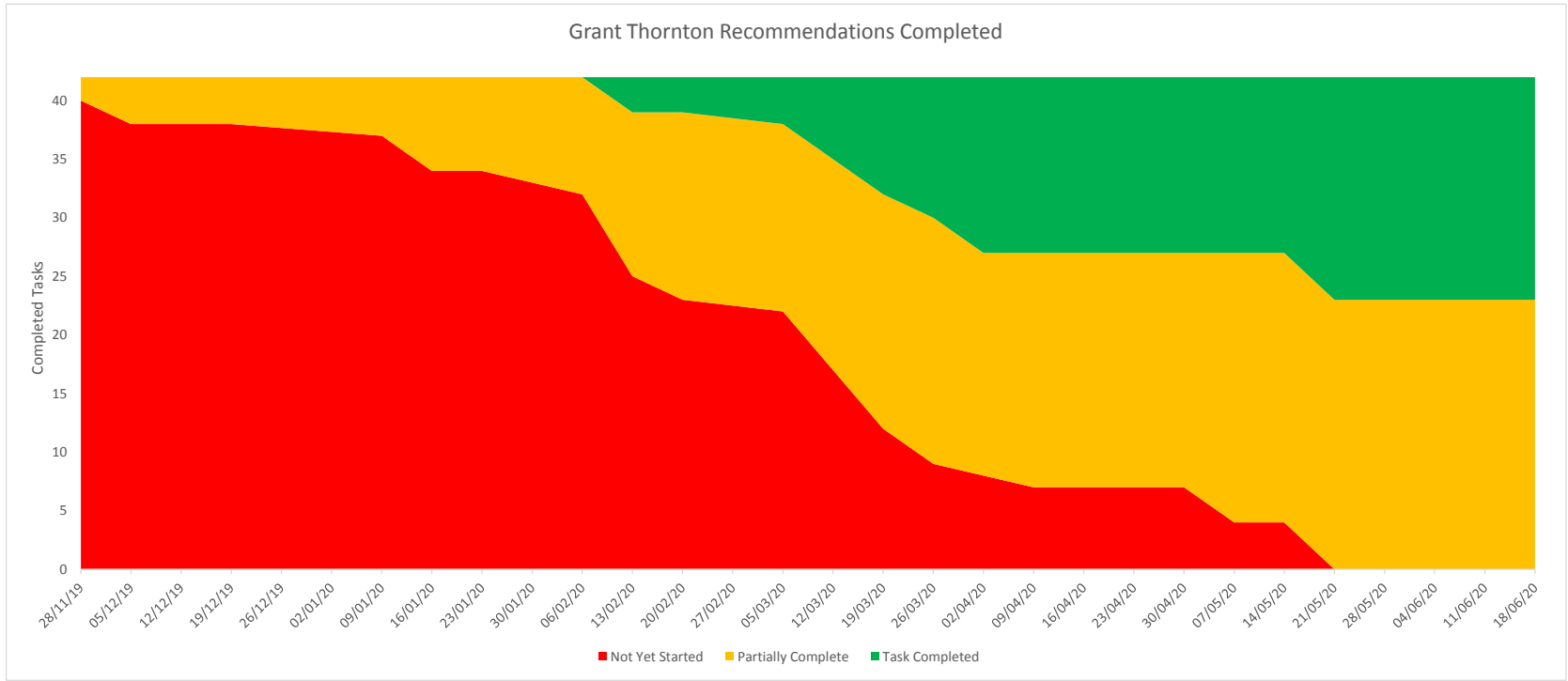
<p>18</p>	<p>Review, challenge and accountability</p>	<p>The new expanded PMO spend authorisation structures, should include provision for selected senior officers and finance to meet monthly and the output from this session should be to draw CMT attention to variances that require action to resolve.</p> <p>CMT should focus on making sure that appropriate actions are agreed to address the variance. If necessary, the appropriate budget holders should be required to attend.</p> <p>Action points from the previous CMT meeting should be included as a standing item in the agenda for the next meeting to ensure they are followed up on a thorough and systematic basis.</p>	<p>To support this process, the Council should consider holding individual budget challenge sessions at which the responsible budget holder is required to present proposals and solutions to budget challenges to the Chief Executive, Director of Resources and Service Director. This has been effective at other challenged organisations but needs to be managed sensitively.</p> <p>Budget performance and compliance with financial controls should be embedded into the performance reviews of budget holders, and this opportunity used to target training and support where required.</p>	<p>A range of improvements have been made to the reports that are presented to CMT, including a dashboard approach, RAG analysis and follow up on actions from previous meetings as an agenda item.</p> <p>Much of this activity was in place, though not in such a regimented way.</p> <p>All senior budget holders are subject to regular monthly scrutiny on their financial performance from the management accounting teams.</p> <p>Individual budget challenge sessions are used widely across PCC.</p> <p>As in note 19 below plans are in hand for a targeted training programme for budget holders.</p> <p>This then needs to be linked to objective setting and appraisals – following the appropriate consultation.</p>
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Appendix 1 – Management Response to GT Recommendations

19	Empowerment of budget holders	Given the increased focus on financial control and accountability, we recommend that the desired financial culture be defined through the development and communication of a clear set of values for financial management.	The communication of new financial values, should be supported by further communications and training on expected behaviours. Financial values and behaviours should then be included as part of annual staff review and appraisal.	WE have developed the “Finance business partner handbook” (see 20 below) establishing clearly the expected behaviours of finance roles and budget manager roles, a programme of training is to be initiated for both groups to secure improvement in this area. This now needs to link into the overall Governance processes once we move back to normal operations.
20	Differing financial management cultures	The Council should not disrupt the current financial management/ monitoring arrangements in the short term but should take steps to re-establish common operating principles. The role of the Finance Manager should be clearly specified in the revised Financial Regulations.	In the medium to long term, the Council should introduce a policy of rotation within the finance manager team to help break down silos, increase resilience and improve development opportunities for finance staff.	Operating principles have been established and reinforced through the development of a “Finance business partner handbook”. Financial regulations have been updated to clearly specify roles and responsibilities. There have been a number of changes of responsibilities within the finance teams, and management continue to keep this under review so that development opportunities can be maximised and resilience improved. This now needs to link into the overall Governance processes once we move back to normal operations.

Appendix 1 – Management Response to GT Recommendations

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AUDIT COMMITTEE	AGENDA ITEM No. 13
13 JULY 2020	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2020/21

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> 1. Notes and agrees the Work Programme for the municipal year 2020/21.

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 officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the committee meeting.

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 2020/21

APPENDIX A

DATE: 14 SEPTEMBER 2020			
		Section / Lead	Description
	Risk Management: Strategic Risks	Governance Pete Carpenter/Susan Baxter	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Investigations Team Report 2019/20	Steve Crabtree Internal Audit	
	Insurance Team Report 2019/20	Steve Crabtree Internal Audit	
	Use of Consultants	Finance Pete Carpenter	To receive an update on the use of Consultants
	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 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 2019 / 2020	Democratic Services Dan Kalley	

DATE: 16 NOVEMBER 2020

		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	
	Audit Committee start times 2021/22	Dan Kalley Democratic Services	Committee to agree it's start times for the municipal year 2021-22
	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 2020 / 2021	Democratic Services Dan Kalley	

DATE: 25 JANUARY 2020

	Section / Lead	Description
Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
National Fraud Initiative: Investigating Allegations of Fraud	Internal Audit Steve Crabtree	To receive a report setting out the latest outcomes in relation to tackling fraud and corruption through the National Fraud Initiative and future activities to protect the public purse
Use of Consultants	Finance/HR Pete Carpenter	To receive an update on the use of consultants and agency staff
Treasury Management Strategy	Finance Pete Carpenter	
Asset Management Strategy	Finance Pete Carpenter	
INFORMATION AND OTHER ITEMS		
Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
Approved Write-Offs Exceeding £10,000	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Feedback report	Democratic Services Dan Kalley	
Work Programme 2020 / 2021	Democratic Services Dan Kalley	

DATE: 22 MARCH 2020

	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 2021 / 2022	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2020 / 2021
Risk Management: Strategic Risks	Governance Pete Carpenter	To receive an update on the strategic risks for the Council
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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