

AUDIT COMMITTEE

MONDAY 25 JULY 2022
6.00 PM

Council Chamber - Town Hall

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

AGENDA

Page No

1. Apologies for Absence
2. Declarations of Interest

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

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ACCOUNT/FINANCE ITEMS

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INFORMATION AND OTHER ITEMS**13. Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

To note there has been no use of Regulation of Investigatory Powers Act 2000 (RIPA) since the last meeting.

14. Approved Write-Offs Exceeding £10,000

To note there has been no approved write-offs exceeding £10,000 since the last meeting.

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Committee Members:

Councillors: I Ali (Vice Chairman), Haseeb, J Allen, N Sandford, S Nawaz, Rangzeb and Perkins

Substitutes: Councillors: Burbage, Jones and Hogg

Co-opted Members: Chris Brooks (Chair), Mike Ingram, Stuart Green

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 6PM, ON
20 JUNE 2022
BOURGES/VIERSEN, TOWN HALL, PETERBOROUGH**

Committee Members Present: Councillors Imtiaz Ali (Vice-Chair), Jackie Allen, Haseeb, Shaz Nawaz, Perkins, Rangzeb and Sandford

Co-Opted Members: Chris Brooks (Chair), Mike Langhorn

Officers Present: Cecilie Booth, Corporate Director Resources – S151 Officer
Emma Riding, Budget Planning Manager
Kirsty Nutton, Deputy S151 Officer
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer

Also Present: Neil Harris, Associate Partner, Ernst&Young (EY)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr Stuart Green – Independent Co-opted member.

2. DECLARATIONS OF INTEREST

No declarations of interest were received.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 21 MARCH 2022

The minutes of the meeting held on 21 March 2022 were agreed as a true and accurate record.

Members noted the actions following that meeting including:

- Officers to investigate the issues around separation of risk management from the internal audit team. Members were informed that discussions were ongoing across the Council over where this work would sit.
- One of the key topics for the committee was around the budget setting process and scrutiny and this was to be added to the work programme.
- Procurement and contract management were also to be added to the work programme.

4. UPDATE ERNST&YOUNG – AUDIT RESULTS REPORT

The Audit Committee received a verbal update in relation to the final statement of accounts from the external auditors EY.

The purpose of the report was to inform the Audit Committee of the progress in signing off the 2020/21 Statement of Accounts.

The report was introduced by the Associate Partner, EY. The final audit results report was not being presented to committee at this stage as there was a national issue relating to the accounting for infrastructure assets. Concerns around this had been raised in regulatory reviews as to whether local authorities had sufficient records and information to understand the level of expenditure annually on highways or other infrastructure assets. This was also in relation as to whether local authorities had sufficient information to know when replacing assets how these were recognised in the balance sheets. The Chartered Institute of Public Finance and Accountancy (CIPFA) were consulting with practitioners and proposing a temporary solution to this. It was hoped this would be resolved by the beginning of July. It was therefore deemed not appropriate to complete the auditing of the accounts until this had been resolved.

Members were informed that there were still some remaining audit procedures that needed completing. It was important to note that the external auditors needed to conclude their audit procedures on the Council as a going concern assessment and disclosure looking forward 12 months from the date the accounts are expected to signed off.

The committee were informed that the external auditors at this stage did not know what level of uncertainty would be issued as this subject to the conclusion of their work and consultation processes. Members were advised that this opinion could range from a material uncertainty to no mention of uncertainty at all. It was also possible that the external auditors could issue an emphasis of matter so that attention was drawn to the Council's financial situation but would not go as far as issuing a material uncertainty

Members were informed that the external auditors had undertaken an extensive amount of work challenging the range of valuations for property and assets that the Council owned. These valuations in many places were different to those produced by Norse Property Services (NPS) and had been reported on to the Council by the external auditors. It was noted that the Council had taken action over the work carried out by NPS and members were informed that notice had been served on NPS.

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

- The national issue that had affected external audits across the Country were in relation to the accounting for infrastructure assets. It was difficult for local authorities to accurately value assets in terms of this particularly around highway maintenance and the subsequent expenditure it might take to replace those assets.
- The matter of the Minimum Revenue Position (MRP) was raised last year in terms of the empower arrangement. The external auditors had seen the Council to re-visit its policy around capital receipts. It was likely that a recommendation from external auditors was for the Council to formalise this. The way the capital financing regulations were going around using capital receipts in terms of setting aside borrowing for commercial purposes was changing. The Treasury and the Department for Housing and Levelling Up Communities (DHLUC) were viewing this as non-permissible actions. It was important going forward that the Councils policy needed to be as prudent as possible.
- There was always a presumption that the Council would continue to exist or in some cases merge with another local authority and therefore the authority would continue to be a going concern. If the external auditors expressed material uncertainty and concerns with the budget for the next 12 months this would be more serious than the previous issuing of material uncertainty in light of the progress and actions taken following the improvement planning process. It was noted that officers had been open and transparent with the external auditors.

- In terms of valuing assets, the external auditors became aware of more findings that are more pervasive in nature. The challenge of asset valuation assumptions was a common thread across local authorities and was highlighted to officers at the Council that the external auditors had concerns over the valuations being made.
- Members were informed that Cabinet had approved the decision to give 12 months' notice to NPS and wind down the relationship.
- In terms of the £118 million figure in the difference in valuations this was identified by the Andrew Flockhart report. It was important to note that the difference was the market value and book value. A breakdown of the valuations could be shared with the Audit Committee members.
- It was important that each asset was valued in turn. There were large differences in some of the valuations and the external auditors needed to understand why the valuations were so far apart.
- In terms of the differences in valuations the external auditors explained that the quality of information provided and used by NPS was poor and not to the levels expected.
- The loan to Empower was as complicated area, within the 2019/20 accounts this was listed as a long term debtor to the value of £23 million. There were a number of events that came to the attention of the external auditors. Before the year end the Council were looking to sell the loan to the private market, due to Covid that situation did not materialise. The Council then took the decision to re-finance the loan in the Autumn of 2020 over a 15-year period. Members were informed that the external auditors tested the recoverability of the loan and had taken the view that this was recoverable, however this was before Empower defaulted on a loan payment. This then triggered an impairment review, the Council appointed Deloitte's to undertake an enterprise review and value.
- In terms of the £7 million difference in the enterprise valuation this was in relation to if the Council undertook a fire sale of the loan. The Council and external auditors were not minded to challenge the view that it was more probable that the Council would continue with the financing arrangement or bring the loan in house. The Council used the cost of borrowing which was around 2.1% to reach the valuation of £20.4 million. The external auditors view was that the loan should have been discounted by 2.5%, which would have valued the loan just under £20 million.
- It was important that in the 2021/22 accounts that the solar panels were valued so that this was included in the group accounts.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the verbal update of the "Audit Results Report - (ISA260)" for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council.

AGREED ACTIONS

Breakdown of the valuation of assets that resulted in the £118 million difference to be shared with members of the committee.

5. ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2022

The Audit Committee received a report into from the external auditors EY.

The purpose of the report was to inform the Audit Committee of the completion of the external audit for the year 2019/20.

The Associate Partner EY introduced the report and stated that the Annual Audit Letter was the public facing summary of audit report and where the Council had ended up with 19/20 external audit. The reason for bringing the report back to committee was that the

external auditors were waiting on information from the National Audit Office (NAO) on the account's requirements, as the NAO no longer required EY to carry this out this was now the letter certifying the closure of the accounts.

Members attention was drawn to the external auditors' fees, the committee had on previous occasions been made aware of the external auditors concerns on public sector audit fees and that these did not accurately reflect the expectations imposed on external auditors. A fee of £213,271 was put forward to PSAA. Following a review of the detail and work carried out on the audit file and a final variation to the fee of £91,979, which led to a final fee of £175,549.

Members were reminded that the external review of 2019/20 had been selected for review and the findings of the review would be shared with the committee once completed.

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

- The external auditors had investigated potential areas of concern such as fraud and the Council's financial position, however the external auditors were satisfied that the Council had accounted properly around these areas.
- The Council had been issued an opinion on the financial statements by the external auditors. An assurance statement was required to be produced to the NAO. The external auditor explained that the NAO no longer needed further assurance and therefore the certificate for audit completion was able to be issued to the Council.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the "Auditors Certificate of the Opinion Previously Issued in Advance of the Audit and Annual Audit Letter for the year ended 31 March 2020" from Ernst & Young (EY) on behalf of the Council.

6. BUDGET MONITORING REPORT FINAL OUTTURN 2021/22

The Audit Committee received a report in relation to the final budget outturn position for the year 2021/22

The purpose of the report was to inform the Audit Committee of the Budget Outturn for 2021/22

The report was introduced by the Corporate Director Resources and S151 Officer. The report highlighted the financial difficulties that the Council was under. Going forward the report would be condensed to highlight the important high-level issues. The most important headline was that the financial position had improved over the last six months

The Deputy S151 Officer confirmed that the Council ended the last financial year with a £4.5 million underspend, some of which had been used to boost the Councils reserves position. It was important to note that the financial position for the council remained challenging. During the summer of 2020, the Council was in negotiations with central government over financial assistance, this was eventually granted on the basis that the Council agreed to a review of its circumstances by CIPFA.

Following this review a number of control mechanisms were brought in to help the Council deal with its costs. It was agreed that the Council would not undertake any borrowing at that time to control costs.

There were still risks to the Council's financial position. This included risks around the Councils reserve position and rising levels of inflation. The Council was working towards becoming financially sustainable over the next three years and the budget setting process

reflected this ambition. An innovation fund had also been setup, acknowledging that some services needed transforming and updating in order for them to become sustainable. In addition the report also outlined the capital programme and identified areas for savings.

Members were also advised that the Council were required to report on its prudential indicators and this was included in the report.

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

- The Outturn report provided a high level of detail across the Council. It was important going forward that the committee focused on the executive summary and the items that were of high value and had a significant impact.
- The Capital moratorium was put in place to stop spending altogether. However, it did not make sense to stop progress on schemes funded externally. The moratorium was now lifted but steps were in place to ensure due diligence was adhered to before any spending was agreed.
- With regards to the capital programme the full £17 million from borrowing had not yet all been found, but there was still time to do so.
- There was a risk around S106 money as they would usually have condition surrounding them. Developers could claim un-spend S106 money that had not been spent, within ten years. Officers would investigate whether there was still any unspent S106 agreement money and would report this back.
- The funding from government with regards to Covid had masked the Council's financial position if the funding had not come the financial position at the Council would have been worse.
- The Council's general reserve fund was £7.3 million this was 4% of the revenue budget. The overall figure was still lower than officers would like but was an improvement on previous years. If more savings were realised then the Council would look to top up the general reserves fund to a higher percentage of the revenue budget.
- Members were informed that a volatility reserve had also been setup, this was put in place in case inflation went up and beyond predicted levels.
- Money had also been set aside for transformation. Some services across the Council were struggling to fill vacancies and had been under resourced for some time, officers were looking at ways to boost these services. This included regeneration and economic development.
- Members were directed to table two on page 48 of the report. The budget for all expenditure was £160 million. A contribution of the underspend went into reserves, some of the other money was earmarked for services and was ring-fenced as to be spent.
- The Covid reserve was managed by identifying work that was required and services that were required. This included money that was needed for social care etc. Some activity was not needed due to outside influences for example Peterborough being in lockdown over Christmas when other parts of the country were not. There was still therefore some uncertainty over the impact on social care and children's services, but the Council was in a better position than before.
- Officers were working on a reserves policy and to lay out plans around the levels of reserves the Council needed. It was agreed that this policy would be worked up and brought to committee.
- Members were reminded that the Council approached the government for additional funds, on the condition that the Council would review its financial position.
- The Covid grants given to the Council were used for the purposes of supporting key services. An additional £20 million of support was given to the Council that was

not ring fenced and was used for the purposes of supporting the Council's recovery out of the pandemic.

- Some of the funding that was ring fenced had been audited by the internal auditing team to ensure that the money was used for the purposes intended by the government.
- There was still £1.7 million in grants that the Council could spend. If this was not done by the end of September this money would have to go back to central government. It was important to note that some of the overall funding from central government was ring-fenced and some was given to support key services within the Council.
- The funding for business support could not be used for anything else other than for supporting businesses.
- Local authorities were being as creative as possible with their building space to maximise its potential and generate income as well as making sure the buildings were covid safe, so that people could return to the office space.
- The reserve levels were roughly 4% of the Council's revenue budget. This was an improvement on previous levels, however it was important that these levels were increased wherever possible. A risk assessment would need to be carried out on the Council's reserve policy to ensure that the Council were building up their reserves.
- The first draft of the Medium-Term Financial Strategy had been drawn up and would be worked on in conjunction with the reserves policy. There were specific reasons for departmental reserves and this affected most of the arm's length corporations that the Council owned.
- The Council's reserve policy needed to be worked up and included at a future meeting of the Audit Committee.
- The covid grants were based on formulas used by the government. This was used across all local authorities.

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

1. The final outturn position for 2021/22 (subject to finalisation of the statutory statement of accounts) of a £4.5m underspend on the Council's revenue budget.
2. The reserves position outlined in section 7, which includes a contribution to of £4.5m to reserves balances, resulting from the underspend highlighted in the revenue outturn report in Appendix A.
3. The outturn spending of £79.3m in the Council's capital programme in 2021/22 outlined in section 7.
4. That the financial performance for the year is a positive first step and is line with the Improvement Plan and Tactical Budget approved by Council, however, the financial challenge for the Council remains and requires continued focus and discipline to deliver per both aforementioned plans.
5. The performance against the prudential indicators outlined in Appendix C.
6. The performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.

AGREED ACTIONS

1. Officers to investigate if there are any unspent S106 monies being held on account and report back
2. Officers to include an item on the work programme looking at the Council's reserve policy

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

The Audit Committee resolved to note that there was no RIPA update.

8. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee resolved to note that there was no debt write-off exceeding £10,000.

9. WORK PROGRAMME

The Audit Committee received the report with the committee's work programme for the year 2022/23.

The purpose of the report was to allow the committee to add/remove any items from the work programme for the year ahead.

The report was introduced by the Senior Democratic Services Officer. The work programme had been updated to reflect a rolling programme of work. In addition there was now a matrix which highlighted items by way of cross referencing against the committee's terms of reference.

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

- There was a need for an item looking at whether there was sufficient governance and control in relation to procurement and contracts.
- Other items that could be included in the work programme were:
 - Material arrangements and working with other organisations and joint ventures, including entities such as Medesham Homes.
 - The Council's budget setting process, ensuring that certain elements such as Climate Change and the Carbon Impact was taken into account
 - Risk management was still an important issue that the committee needed to look at further.
 - An assets dashboard recording anything valued above £5 million. It was important that the Council explored the possibility of getting second opinions on assets with a high value.
 - The Councils Improvement Plan and Financial Plan was a key item.
- It was important the Council worked at its governance arrangements to make sure that decisions were taken in a transparent way.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the work programme and agree to the additional items being added to future meetings.

AGREED ACTIONS

To include items on the following:

1. Activity of Procurement single supplier procurement over £10,000 and services procured / approved retrospectively.
2. Assets Dashboard of those over £5 million
3. Material arrangements and working with joint ventures/partners
4. Financial Plan and Improvement Panel report
5. Risk Management – ensuring controls were in place

6. Budget Setting and Scrutiny processes

Chair 6.00pm – 7.52pm

AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2022 - APRIL 2023

DATE OF MEETING	AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TO BE TAKEN	COMPLETED
20 June 2022	Update from EY	Breakdown in £118 million difference in valuation of assets	Cecilie Booth/Kirsty Nutton/Emma Riding	Note to be circulated on the action	Work ongoing in pulling figures together
	Budget Monitoring Report Outturn 2021/22	Officers to investigate if there are any unspent S106 monies being held on account and report back	Cecilie Booth/Kirsty Nutton/Emma Riding	Briefing note to be circulated	Ongoing – Information to be provided in report on Council’s reserve policy
		Officers to include an item on the work programme looking at the Council’s reserve policy	Dan Kalley – to include on work programme Cecilie Booth – To draw up reserves policy and present to committee	1. Item to be included on work programme 2. Officers to draw up reserves policy to present to committee	1. Completed and added to work programme for September 2. To be presented to committee at meeting in September
	Work Programme	To include items on the following: 1. Activity of Procurement single supplier procurement over £10,000 and services procured / approved retrospectively. 2. Assets Dashboard over £5 million – if possible 3. Material arrangements and working with joint ventures/partners	Dan Kalley	Include items on the work programme	Completed and items listed on work programme

		4. Financial Plan and Improvement Panel report 5. Risk Management – ensuring controls in place 6. Budget Setting and Scrutiny Process			
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AUDIT COMMITTEE	AGENDA ITEM No. 4
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

ANNUAL REPORT: INSURANCE AND THE INSURANCE FUND REPORT 2021 / 2022

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service during 2021 / 2022 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a scheduled report on the provision of Insurance Services to Peterborough City Council and other third parties. It is in line with the established Work Programme.

2. PURPOSE AND REASON FOR REPORT

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

2.2.1.18: To monitor the effective development and operation of risk management and corporate governance in the Council.

2.2 The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.

3. TIMESCALE

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

4.1 The Insurance Team form part of the wider Audit, Insurance and Investigations Team and

provide the following main services:

- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund;
- Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible;
- Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these; and
- Provide insurance services to other bodies, such as schools including academies, Aragon Direct and City Culture Peterborough

4.2 Insurance

The key issues dealt with by the Insurance Team over the past year are as follows:

- The three yearly actuarial review was undertaken. Based on this external works, there was a surplus identified;
- Weather changes within the year saw increased claims in relation to flooding;
- Significant fire damage claims were received in relation to a number of PCC properties; and
- New requirements from the Environment Act 2021 will impact on future works.

4.3 Claims are monitored and trends established to look to understand whether there could be more done in certain areas, whether consideration could be given to reducing cover or additional support is required. Overall, from the works in year, it can be seen that:

- Claims levels remain low for a unitary authority in a number of areas;
- There are good proactive and remedial actions in place to limit impact; and
- Aragon claims are now being covered, although it is too early to identify specific trends.

4.4 Risk Mitigation

The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for subsidence claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections and meetings with / seminars for the Tree Team, to aid their understanding of the insurance position.
- Claims for damage to fencing and walls caused by overgrown vegetation and tree roots have increased year on year, so again the Insurance Team have been liaising with Trees to find ways to combat this, such as one or two metre clearances of shelter belts back from the boundaries of nearby housing.
- Highways risk has been reduced as far as is possible: 100% of inspections are being carried out on the highway network and no claims have been paid in 2021 / 2022. This is a result of excellent hard work on the part of the Inspectors and the close working relationship between Highways and the Insurance Team. Risk mitigation work will not cease, it is important to ensure that this position does not slip.
- The Insurance Risk Mitigation Fund has paid for the Highways Inspectors to undertake Arboricultural training, to ensure they meet the higher requirements of the new Code of Practice and also to improve the Council's position by ensuring the Inspectors can recognise a tree near or on the highway in need of work in between the three yearly inspections carried out by the Trees Team.

4.5 Working with schools

- Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke

'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

- The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.
- The Government's RPA scheme has been extended to include LA maintained schools and therefore our schools will have this additional choice, further to their existing right to insure with any provider of their choosing. It is therefore possible we will lose some schools going forward. We have not lost any schools to date and have carried out additional work to remind the schools of the benefits of remaining with us, alongside the work we are doing to retain Academy schools.
- It is possible the Council may receive Covid-related claims. We will liaise with market experts to establish what may be expected and how best to deal with any that arise. None have been forthcoming so far.

4.6 Impact of the Pandemic

- The lockdown commenced in the final month of 2019 / 2020 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the year 2020 / 2021 and 2021 / 2022.
- Taking the Public Liability claims data of 2017 / 2018 as a base, claim numbers were already declining prior to the pandemic: there were 9% fewer claims in 2018 / 2019 and 13% fewer in 2019 / 2020. However, it is reasonable to say that the pandemic accelerated this decline: in 2020/2021 there were 19% fewer claims and in 2021 / 2022 55% fewer. The claims year 2021 / 2022 is not yet complete and further claims may come in, but this is still a significant difference. For 2020 / 2021, the drop off in claims could be partly explained by the lockdowns, as there were fewer people using the highway network or accessing Council services, but this is not the case for 2021 / 2022. Claims figures will continue to be monitored to see if this trend reverses.
- Refuse vehicles were an ever present on city roads (only impacted on when there has been a shortage of crews). Claims did increase during lockdown due to more vehicles remaining parked on roads during the day. The new refuse vehicles all have external cameras, so it is now possible to check whether any damage to parked vehicles was in fact caused by the refuse vehicles. The numbers will be monitored when the claims year is complete.
- The area most affected by the pandemic was school journey claims, which more than doubled from 8 in 2017 / 2018 to 18 in 2019 / 2020. These have now reduced to 2 in 2021 / 2022, as few trips went ahead that year. Providers of this insurance have now all excluded cancellations arising from pandemics.
- There were no additional premium charges arising from the pandemic and claims numbers largely reduced, with the exception of school journey.

4.7 The attached report (**Appendix A**) provides more detail on the points above, including a breakdown of claims received and provides an insight into how this service will continue to operate, the insurance challenges facing the Council and how these will be mitigated.

4.8 Finally, the service priorities for 2022 / 2023 are:

- Work on anticipated increases in trees subsidence and highways claims;
- Progress on the tender exercise for Insurance which is on the Forward Plan and is due to be completed in early 2023; and
- Oversee any additional premiums / works which may materialise from the pandemic.

5. CONSULTATION

This report has been issued to the Director of Resources for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

That the Audit Committee is informed of the proactive measures taken across the Council to reduce the impact of insurance claims both from a financial and reputational perspective.

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

The option is not to present a report on the insurance function and the activities undertaken. This is not in line with open and transparent corporate governance and could result in a lack of awareness.

9. IMPLICATIONS

Financial Implications

The Council will become more aware and will continue to consider the insurable risks and potential consequences. Every effort is undertaken across the Council to reduce the insurance need and mitigate for potential claims in the first place but where it occurs, robust processes will be in place to ensure high service standards are maintained.

10. BACKGROUND DOCUMENTS

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

None

11. APPENDICES

Appendix A: Insurance Report 2021 / 2022

INSURANCE: ANNUAL REPORT 2021 / 2022

1...INTRODUCTION

- 1.1 This report documents the Council's approach to managing the insurance requirements for the Council and is presented to Audit Committee in order to discharge its responsibility in "*overseeing risk management and corporate governance arrangements*" as outlined in its Terms of Reference.
- 1.2 This report seeks to:
- provide an update on insurance activities within Peterborough City Council over the past financial year;
 - look at claims received over the past financial year;
 - provide a comparison with claims received in previous years and identify trends and the reasons for them;
 - set out the proactive risk mitigation work being carried out by the Insurance Team
 - forecast likely future risks and the work proposed for the next financial year and beyond

2...INSURANCE TEAM ACTIVITIES

- 2.1 The Insurance Team form part of the wider Audit, Insurance and Investigations Team and provide the following main services:
- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund
 - Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible
 - Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these
 - Provide insurance services to other bodies, such as schools including academies and Aragon Direct Services
- 2.2 The key issues dealt with by the Insurance Team over the past year are as follows:
- The three yearly actuarial review of the Insurance Fund was undertaken. The Actuaries reviewed the last 10 years of claims data and the movement to and from Reserves, then gave their opinion upon the adequacy of the Fund. The outcome demonstrated the effectiveness and efficiency of the claims handling by the team, as the Actuaries declared a surplus.
 - Unusually heavy rainfall has led to a large number of flooding claims received, both from the public under the PL policy and in respect of PCC's own buildings under the Property policy. The PL claims have been successfully defended, but the 8 property claims have a value of £232,165.

- Since October 2020, there have been three large-scale fires at PCC properties, with a value of £381,573. The properties involved are: Beeches Primary School, Norwood Lane Travellers Site and Bretton Park Pavilion. Each will be reviewed at conclusion to establish what lessons can be learned to prevent it happening again.
- The way subsidence claims are handled has been reviewed in light of the high-profile case of the Oak tree in Bretton and also the new requirements of the Environment Act 2021, which comes into effect in 2022.

3...INSURANCE CLAIMS REVIEW

3.1 Analysis of claims history (by number of claims and value)

3.1.1 PCC Claim Numbers Received Over 5 Years (By Claim Type)

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Employers Liability	4	5	2	3	0
Motor	12	13	8	4	5
Other	3	1	5	0	0
Property	21	26	12	16	22
Public Liability	150	136	131	122	68
Total	190	181	158	145	95

- **Low claim numbers.** Claim numbers generally are very low for an Authority of this size and have stabilised over the last few years.
- **Low Employers Liability claims.** Employers Liability claim numbers remain particularly low. This is likely to be partially due to the outsourcing of the higher-risk manual operations 8 years ago and partially due to the strong commitment to Health and Safety and risk management across the Council. This will be monitored if services return in-house. Claims arising from services with Aragon are regularly reviewed and these also remain low.
- **Low motor claims.** Motor claims remain low and continue to reduce. Of the 4 claims in 2020/2021, only one was a fault incident. There is not considered to be any need for driver training at present, but this will be monitored and reviewed in future if the statistics deteriorate significantly.
- **Property claims numbers increasing.** Property claim numbers are fluctuating, hitting a low in 2019/20, but subsequently increasing. Water damage has become the most prolific cause of damage over the past year, following extremely heavy rainfall events.
- **Very low Public Liability claims.** PL claims numbers continue to fall year on year. For the past two years, this was considered to be a likely effect of Covid, but there is not

yet any sign of the numbers increasing again. The two most frequent claims types are Highways and tree-related property damage.

3.1.2 PCC Claims values over past 5 years, broken down by claim type

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Employers Liability	33,132.50	24,185	-	12,500	-
Motor	33,623	4,939	9,979	14,301	9,593
Other	308	200	110,642	-	-
Property	82,622	630,060	120,428	154,112	529,493
Public Liability	446,226	432,179	183,574	261,673	184,497
Total	595,911	1,091,563	424,623	442,586	723,583

- **Employers Liability claim numbers have been very low** over the past 5 years and have in the main been successfully defended. There have been no high-value, serious claims in this period.
- **The Motor claims values for 2020/21 and 2021/22 are not representative:** motor claims are handled by insurers rather than the Insurance Team and the values are only provided by insurers once the claims are completed. Therefore, the figures will not be accurate until the insurance year matures.
- **Property claim numbers and values are showing an upwards trend.** A series of exceptionally heavy rainfall events have led to a number of large value flooding claims and there have also been 5 fires in the past year, 3 of them high value. This all has an effect both on the internal Insurance Fund and also our external Property premium.
- **Public Liability claim numbers and values continue to show a downwards trend:** the average claim payment value for 2017/18 was £2974.84, whereas the average value for 2020/21 is £2144.86, which is significantly lower. No new claims streams have come in over the last year and the Council has not received any claims related expressly to Covid so far.

3.1.3 PCC Public Liability repudiation rate

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
PL repudiation rate	77%	88%	86%	93%	94%

- The Highways repudiation rates are 100% for 2021/22, 100% for 2020/21, 98% in 2019/18, 98% in 2018/19 and 100% in 2017/18. These are excellent rates, achieved through the Inspectors carrying out 100% of their allocated inspections each month, arranging repairs in accordance with the guidelines laid out in the Council's Network

Management Plan and providing reports to the Insurance Team within the pre-action protocol timescales to allow a defence to be made in each case.

- The majority of claims payments now being made relate to direct damage to walls and fences caused by trees / other vegetation and tree-related subsidence to property. Work is being done to reduce this risk: the entirety of the Council's tree stock has been listed and is regularly inspected and maintained. One and two metre wide clearance strips are being carried out to shelterbelts that run along the rear of housing estates where necessary and shrub beds are being cut back where they grow against fences, where possible.

3.2 Aragon Direct claims 2021/2022

	Grounds Maintenance	Refuse Collection	Passenger Transport	Street Cleaning	Waste Management
Public Liability	14 (11)	3 (6)	- (-)	2 (-)	- (-)
Motor	4 (6)	31 (33)	11 (2)	3 (4)	2 (2)
Property	- (1)	- (-)	1 (-)	- (-)	- (-)
Employers Liability	- (-)	- (-)	- (-)	- (-)	- (-)
(Figures in brackets represent claims from 2020 / 2021)					

- The Grounds Maintenance PL claims in the main involve windows being broken by stones flicked up by trimmers and mowers and all of these have been successfully defended due to the robust processes in place to guard against such incidents. The only two claims paid were where operatives have damaged property directly with their work equipment.
- The Refuse Collection PL claims are all either refuse operatives scraping bins against vehicles, or leaving oil stains when emptying bins. Only one of the latter have resulted in a claim payment. The numbers are low compared to the overall number of bins emptied, but the Insurance Team do recommend that operatives are reminded to take care, as such incidents should be avoidable.
- The Grounds Maintenance motor claims were two fault and two non-fault accidents.
- The Passenger Transport motor claims were 5 fault and 6 non-fault.
- The Refuse Collection motor claims were 26 fault and 5 non-fault. These figures will be discussed at the next Aragon meeting.
- The Waste Management motor claims were both fault accidents.
- It was anticipated that EL claims would come in, however none have as yet. Areas of good practice are discussed at Aragon meetings and we look to maintain this position.

4...RISK MITIGATION

4.1 The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks. A breakdown of the Public Liability insurance claims received by PCC is as set out below:

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Highways	81	59	57	50	28
Trees - direct damage	26	15	25	27	20
Trees - subsidence	17	41	12	6	3
Estates	8	3	4	2	2
Parks/CRA Land	4	5	1	3	2
Schools	3	6	2	2	1
Street Lighting	3	3	2	1	1
All Other	8	4	28	31	11
TOTAL	150	136	131	122	68

4.2 These figures show that the most claims are received in the areas of Highways and Trees/Subsidence and direct tree damage.

4.3 **The Insurance Risk Mitigation Fund** is used to promote actions or works that will reduce insurance risk and so for this year the Fund has concentrated mostly on Highways and Trees, as below:

- Arboricultural training for Highways Inspectors: the new CIHT Code of Practice (Well-Managed Highway Infrastructure) places higher duties upon Inspectors to identify problems with street trees. This Lantra training demonstrates the Inspectors meet the requirements of the Code, enabling PCC to defend claims.
- Subsidence risk tree felling and replanting schemes: claims data is used to map out subsidence risk 'hot spots' within the city and schemes of targeted felling are carried out to reduce this risk as far as possible. It is difficult to quantify the savings this generates as the outcome is less claims received, or creating the ability to defend claims that do arise, but the average cost of a subsidence claim in the last 3 years is £16,588. The IRMF funding of £25,000 per year will probably prevent at least 10 claims from arising, likely more, so the savings per year this funding generates is at least £140,000 per year.
- In keeping with PCC's agenda for climate risk control and tree canopy cover, replanting schemes are also then carried out to replace the trees removed, either with a more

appropriate species for the location, or in another location where it is too high risk to replant at the original location.

- Whilst low value individually, the number of claims arising from direct damage caused by trees and shrubs is now very high, with the potential to keep rising, so solutions to this are being investigated with the Head of Environmental Partnerships.
- Other areas of risk are also considered where there would be a benefit, for example CCTV in schools.

5... FUTURE RISKS AND WORKSTREAMS

- 5.1.1 It is anticipated that Trees / Subsidence and Highways claims will continue to form the bulk of the claims work carried out by the Team over the next 12 months. Joint working with these Departments to reduce these risks as far as is possible is already well established. The issues raised by the decision to fell the Bretton Oak are being discussed with all relevant Officers to establish whether any changes to the procedure in such cases is required.
- 5.2 The Council is tendering for all insurances for the period 2023/24 onwards and the preparation for this will take up much of the remainder of 2022. The preparation includes carrying out a review of the current insurance programme with the assistance of our brokers, to ensure it best reflects our ongoing and future needs; setting the lot structure to encourage the broadest range of bids from the insurance market; writing the tender document with support from our brokers, setting out in detail what makes PCC an attractive risk and providing claims experience reports to support this; managing the renewal process with assistance from our brokers and internal Procurement team; setting the evaluation criteria to ensure the tender outcome delivers the best insurance package to meet our needs and values.
- 5.3 Further services are either returning to PCC or to Aragon in the coming months, which will generate additional work both to ensure appropriate insurances are in place and in dealing with claims arising from these services going forward.
- 5.4 It was considered likely some time ago that the Whiplash Reform Programme would lead to Solicitors pursuing more unusual types of claim to offset their income loss when the small claims limit is raised, meaning only fixed costs can be recovered by them. The Reforms were delayed in part due to Covid-19, however they are back on the agenda and therefore we are maintaining a watching brief on this. Numbers of claims received from Solicitors for data breaches have increased, which may be the start of this.
- 5.5 The Government's RPA scheme has been extended to include LA maintained schools and therefore our schools will have this additional choice, further to their existing right to insure with any provider of their choosing. It is therefore possible we will lose some schools going forward. We have not lost any schools to date and have carried out additional work to remind the schools of the benefits of remaining with us, alongside the work we are doing to retain Academy schools.

- 5.6 It is possible the Council may receive Covid-related claims. We will liaise with market experts to establish what may be expected and how best to deal with any that arise. None have been forthcoming so far.

6... EFFECTS OF COVID-19 PANDEMIC ON INSURANCE

- 6.1 The lockdown commenced in the final month of 2019/20 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the year 2020/21 and 2021/22.
- 6.2 Taking the Public Liability claims data of 2017/18 as a base, claim numbers were already declining prior to the pandemic: there were 9% fewer claims in 2018/19 and 13% fewer in 2019/20. However, it is reasonable to say that the pandemic accelerated this decline: in 2020/21 there were 19% fewer claims and in 2021/22 55% fewer. The claims year 2021/22 is not yet complete and further claims may come in, but this is still a significant difference. For 2020/21, the drop off in claims could be partly explained by the lockdowns, as there were fewer people using the highway network or accessing Council services, but this is not the case for 2021/22. Claims figures will continue to be monitored to see if this trend reverses.
- 6.3 You would expect the number of refuse vehicle motor claims to increase during the pandemic, as many more vehicles were parked on the streets when their owners were at home during lockdown, making it more difficult for the large vehicles to negotiate down narrow roads and indeed the figures increased by 43% from 19/20 to 20/21, but then decreased by 6% from 20/21 to 21/22. The new refuse vehicles all have external cameras, so it is now possible to check whether any damage to parked vehicles was in fact caused by the refuse vehicles. The numbers will be monitored when the claims year is complete.
- 6.4 The area most affected by the pandemic was school journey claims, which more than doubled from 8 in 17/18 to 18 in 19/20. These have now reduced to 2 in 21/22, as few trips went ahead that year. Providers of this insurance have now all excluded cancellations arising from pandemics.
- 6.5 There were no additional premium charges arising from the pandemic and claims numbers largely reduced, with the exception of school journeys, so overall the only major impact was to the way of working: the Insurance Team are now for the most part based remotely from the office. This has been made possible by the technology changes put in place by PCC and is working very well. Savings are being made, as nearly all correspondence is now sent via email rather than post.

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AUDIT COMMITTEE	AGENDA ITEM No. 5
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

ANNUAL REPORT: INVESTIGATIONS

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the investigation of fraud during 2021 / 2022 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

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

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

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

3. TIMESCALE

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

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

4.2 Audit Committee in March 2018 received an update on the strategic approach adopted by the Council in relation to tackling fraud, together with a review of a number of the policies. Best practice checklists and a report from the accountancy professional body, CIPFA, was also attached in relation to fraud. The policies adopted have been regularly refreshed and were last submitted to this Committee in March 2022. The strategy will be revisited in 2023.

4.3 Throughout the year, works have been undertaken to tackle frauds on Peterborough City Council. These have covered such areas as:

- National Fraud Initiative
- Council Tax single person discounts
- Council Tax support
- Joint working with Department for Works and Pensions
- Blue badge misuse
- Staffing related issues

Many activities have been undertaken during the year to tackle frauds on Peterborough City Council. **Appendix A** provides an overview of the work undertaken during the year and provides an insight into how the Council will continue to operate, including the latest developments in relation to the National Fraud Initiative.

5. CONSULTATION

This report has been issued to the Director of Resources and s.151 Officer for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

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

10. BACKGROUND DOCUMENTS

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

10.1 None

11. APPENDICES

11.1 Appendix A: Annual Fraud Report 2021 / 2022

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ANNUAL FRAUD REPORT 2021 / 2022

1...INTRODUCTION

- 1.1 The council is committed to providing an effective counter fraud service which is supported by efficient policies and sanctions for those that offend. Combating fraud is the responsibility of everyone in the council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.
- 1.2 Failure to investigate fraud will see money leaving the council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council. It is therefore important to demonstrate that resources are focussed on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members and the general public of the quality and integrity of investigations.
- 1.3 Peterborough City Council has policies and procedures in place which provide a framework to counter fraud work, which include:
- Employee Code of Conduct;
 - Disciplinary Policy;
 - Member's Code of Conduct;
 - Contract Standing Orders and Financial Regulations;
 - Regulation of Investigatory Powers Act and procedures;
 - Whistleblowing Policy;
 - Anti-Bribery Policy; and
 - Various Sanctions and Prosecution Policies.
- 1.4 This report documents the Council's response to fraud during 2021 / 2022, and is presented to the Audit Committee in order to discharge its responsibility, as reflected in its terms of reference '*Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process*'. (Terms of Reference 2.2.2.16)

2...NATIONAL FRAUD INITIATIVE

2.1 Bi-Annual Exercise 2020

- 2.1.1 The National Fraud Initiative (NFI) exercise brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998. The Council provides a range of datasets for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every 2 years, the results of these matches are fed into a national report at the end of each cycle. The Council submitted data in October 2020 and matches for review

were received in spring 2021. Further matches are received as other organisations submit their data. Distinct datasets are prescribed, for PCC these are:

- Blue Badge Parking Permits (data provided by national software provider);
- Concessionary Travel Passes;
- Creditors (payment data and supplier references);
- Council Tax Reduction Scheme recipients;
- Housing Benefits (data provided by DWP);
- Payroll;
- Residential Parking Permits;
- Taxi Drivers Licences: and
- Waiting List (Housing)

2.1.3 Electoral Registration and Council Tax data is submitted annually for data matching of Council Tax Single Person Discount and electoral registration data following publication of the Council's new electoral register each December. This was submitted and matches received.

2.1.4 Key outcomes established from the exercise which have impacted on the success of the initiative have been:

- Data quality;
- Timeliness of records being updated; and
- Referrals to other agencies

2.1.5 A report to Audit Committee in February 2022 set out the results. Overall, the levels of fraud identified from this exercise has been on the low side. It suggests that there are appropriate checks already in place to reduce the risk of fraud at source. Therefore, we could provide reasonable assurance that the data matches did not reveal a high level of fraudulent activity.

2.1.6 This exercise is in essence closed, although we still receive requests for information from others and a number of records still await replies from other agencies (e.g. Department for Works and Pensions).

2.2 **Council Tax Single Person Discount and Rising To 18**

2.2.1 In order to look at an appropriate response to the inherent risk of fraud / error in this area, various initiatives are undertaken. The Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. Council taxpayers are under a duty to report within 21 days if they think they should no longer qualify for a discount. The Council has in excess of 26,000 households within Peterborough currently receive the 25% discount. While most residents are claiming the discount appropriately, there are likely to be a minority who are attempting to defraud the system.

2.2.2 Matches identify addresses where the householder is claiming a SPD on the basis that they live alone yet the electoral register suggests that there is more than one person in the

household aged 18 or over. The electoral register also includes details of individuals who are approaching their 18th birthday. Unless there is an exemption, for example, a student, then the single person discount would need to be revoked from the date of their birthday.

2.2.3 Potential matches verification remain ongoing with Revenues and Benefits.

2.3 **Business Grants**

2.3.1 Due to the national pandemic, numerous grants have been paid to local authorities for distribution across their areas. One such grant relates to businesses. Grant payments made to businesses have been coordinated through Revenues and Benefits. The basis of the payments are based upon records held within Business Rates and a number of additional checks were undertaken prior to payments being made. Data matching has focused on two keys areas, namely verification of the bank account and also an active company check. There is also a combined check. NFI has similarly risk assessed the matches so as to enable PCC to focus on the higher risks.

2.3.2 An additional matching exercise was undertaken following the initial trawl of the data through NFI with a focus on multiple claims in areas or cross boundary submissions.

2.3.3 Each of these match types are being investigated. Following on from this initial exercise, which was focusing on the legitimacy of the businesses being operational in each authority area this dataset is now to be mandatory for future matching against other authorities.

2.4 **Overall**

2.4.1 NFI continues to be an important exercise for detecting fraud across the public sector. With more and more datasets being requested and the increasing numbers of organisations matched against, there is a risk that this could become unmanageable to keep track of and do justice to the wealth of data and matches received.

2.4.2 Works are coordinated and investigated through Internal Audit currently but going forward greater ownership is required by the organisation to manage and regularly update its own records – enhancing the data quality so as to reduce the number of matches to those of highest fraud risk only.

2.4.3 Elsewhere on the agenda there is a report setting out how the Council will be gearing up for the next round of the National Fraud Initiative.

3...**COUNCIL TAX SUPPORT**

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

information may be malicious and cases are closed while others may have substance and these are referred to the appropriate organisations to investigate. There has been a reduced level of referrals received – possibly as a result of the pandemic, various lockdowns, furlough etc. – but these are now starting to increase.

- 3.2 Council Tax investigation types include – contrived tenancy; undeclared income; living together; non-residency; working and claiming; undeclared non-dependency; or undeclared capital.
- 3.3 A prosecution is the most visible of all the sanctions available to the team and each prosecution will be publicised. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the council's fraud hotline and dedicated fraud email address. However, we have been unable to pursue this route due to Courts being closed during lockdown as well as being unable to interview claimants. These conditions have now been lifted.

4...JOINT WORKING WITH DEPARTMENT FOR WORK AND PENSIONS

- 4.1 From December 2018, a separate initiative has been set up with the DWP whereby intelligence is shared in relation to fraud cases. If there is scope for joint prosecutions for both Council Tax and Housing Benefit fraud then a joint interview is conducted to avoid duplication, only one prosecution or sanction etc. and this is led by the DWP.
- 4.2 Similarly, with the pandemic, officers at DWP have been reassigned to other activities and the joint working has not been in place during the year. While officers are now returning to their substantive posts, there remains a backlog of cases which require investigation.

5...OTHER INVESTIGATIONS

- 5.1 The works of the Investigations team also covers activities in relation to:

- Corporate Complaints (Stage 2)
- Disciplinary (gross misconduct) and grievance investigations
- Blue badge misuse

- 5.2 Stage 2 Corporate Complaints

- 5.2.2 A total of 26 cases were received during the year to 31 March 2022 (up from 18 in the previous year) which were all reviewed with the majority requiring full investigated by the Team. Outcomes include making recommendations to rectify the complaint or finding that the Council had done everything it could.

- 5.3 Disciplinary Cases and Grievances

- 5.3.1 Cases of alleged disciplinary breaches are conducted by the Investigations Team. During the pandemic and with working from home the disciplinary referrals have dropped

considerably. The majority of referrals have been in respect of people who have not been working from home. All cases are different in their nature, complexity and time needed for these to be completed. Results of these include dismissals, final written warnings, verbal warnings and resignations.

5.3.2 Following a disciplinary hearing, there may be a requirement for additional works and presentations at professional bodies.

5.3.3 Grievances follow the same rigorous level of investigation and are provided to the Investigations Team by Human Resources. A number of these arise from disciplinary cases which delay the outcome of the latter as they need to be resolved first.

5.4 Blue Badge Misuse

5.4.1 Work continues to look into Blue Badge abuse. The majority of referrals are as a result of Enforcement Officers confiscating Badges which they see as being misused. All cases are reviewed which could lead to warning letters being issued or sent for prosecution. Following successful conviction, appropriate publicity is issued internally and externally to raise the profile and to act as a deterrent.

Chief Internal Auditor
July 2022

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AUDIT COMMITTEE	AGENDA ITEM No. 6
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and S151 Officer	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member Resources and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

ANNUAL INTERNAL AUDIT OPINION 2021 / 2022

R E C O M M E N D A T I O N S	
FROM: Cecilie Booth, Director of Resources and S151 Officer	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 2022. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2021 / 2022 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 2021 / 2022.

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 2021 to March 2022 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 2021 / 2022. 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. Additionally, as part of a working protocol with Cambridgeshire County Internal Audit, where assurance for audit activities can be provided for both organisations in relation to shared services this has been included in arriving at the audit opinion. One report falls into that category and is identified within **Appendix A**. 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
 - Business Continuity
 - Programme and Project Management

There were also additional audit activities that resulted in a limited internal audit opinion and these comprised:

- Energy Management Follow up
- Middleholme Remedial Programme
- Procurement Card Processes / Procurement Card Processes Follow up
- Healthy Child Contract (CCC review)

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. The pandemic has continued to have an impact on the capacity of the Internal Audit team with regards to resources and changes to planned audits. It is still viewed though that the audit activities undertaken has enabled sufficient coverage of the key risks in 2021 / 2022 to provide assurance. 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 2022).

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 2021 / 2022 (Audit Committee – March 2021)
Internal Audit mid-year Progress Report 2021 / 2022 (Audit Committee – November 2021)
Internal Audit Reports

11. APPENDICES

- 11.1 A – Head of Internal Audit Annual Opinion

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ANNUAL AUDIT OPINION
2021 / 2022



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 Director of Resources and S.151 Officer.

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 2021 / 2022. 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, and this has been particularly important this year. 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, although 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

Impact of Covid-19

As a result of the continuing impact of the Covid-19 pandemic during the year, Internal Audit has reacted to the changing environment as the organisation has moved towards business as usual in the latter part of the year. Areas of work, in particular grants have expanded as the government has made more funding available for the authority to administer on their behalf, which also requires assurance to be provided by internal audit. This area of work will continue into 2022 / 23.

Due to the continuing activities of the Covid-19 Co-ordination Hub, a Senior Auditor has remained in a long term seconded role for the year in the hub, which has been funded by covid-19 grants. This has resulted in the Senior Auditor post remaining being vacant for the year, resulting in a reduced resource capacity, although some successful recruitment took place for another vacancy within the team.

The way that the team has delivered audit services during the year has also evolved due to the accessibility of buildings. Greater use has been made of using technology for meetings but where there has been a business need face to face work has been undertaken. The team are now moving towards a hybrid approach of working which will include some office based and remote working.

We have continued to respond to changes and new initiatives requested by management which has resulted in some pandemic related consultancy work. Consultancy work does not always offer the same degree of assurance because it relies on a theoretical knowledge of the system under review, and does not obtain evidence to support an evaluation of how the system is working in practice. However, we consider this to be an appropriate response to the situation and enabled us to provide greater coverage than we otherwise would have been able to. Therefore, we have considered our consultancy work when formulating the Annual Audit Opinion.

Our work has also been impacted by the need to allow management to prioritise their emergency response which may involve target completion deadlines. This has led in some cases to a longer time span to complete audits where other areas of work has taken priority, or to obtain responses to recommendations, but all significant work has been completed within the year.

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 have not generally resulted in a formal audit report with an opinion – such as consultancy work, grant reviews and involvement in working groups. The process for consultancy has been reviewed during the year and where possible an audit opinion is now being applied resulting in some activities having an opinion applied. The protocol for this will be further developed during 2022 / 23. Where certification of grant work has been undertaken this 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 2021 / 2022

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 2021 / 2022 internal audit plan;
- 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 Council's 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.

I am required to provide an opinion on Governance, Risk Management and Internal Control. Internal Audit's coverage of Risk Management has been enhanced from previous years with an independent review being undertaken in addition to the challenge role within the Risk Management Board. Whilst, the pandemic to a

certain degree has continued to have an effect on the quantity and coverage of internal audit reviews of governance and internal controls, it is considered that sufficient work has been completed during the year to arrive at this opinion.

Following consideration of the above I am able to provide the following Opinion for 2021 / 2022:

*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 2022

BASIS OF ANNUAL OPINION

The audit work that was completed for the year to 31 March 2022 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 78% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2019-20: 70% and 2020-21: 87%).

AUDIT ASSURANCE						
Assurance Levels	Numbers			%		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Substantial	2	0	1	10	0	5
Reasonable	14	13	15	70	87	73
Limited	4	2	7	20	13	22
No	0	0	0	0	0	0
	20	15	23	100	100	100
Certified	13	10	13			
Consultancy	22	22	10			
	35	32	23			

RECOMMENDATIONS MADE			
	Numbers		
	2019/20	2020/21	2021/22
Low	27	11	27
Medium	44	28	59
High	40	9	26
Critical	0	0	0
	111	48	112

In addition to the audits detailed in the above table, further audit work was carried out which feeds into the overall opinion, including 8 governance reports.

It should also be noted that Chief internal Auditor reviewed 26 Corporate Complaints in year which saw an increase of 8 cases from the previous year.

At the year-end 7 audit reviews were in progress and audit opinions relating to these will be reported during 2021-22 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.

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 2021-22 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 Council's 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. The CAE can confirm that in relation to the Risk Management audit they was not involved with any aspect of the audit management and it's quality review. It should also be noted that during 2021 / 22 the CAE was not required to authorise any bank payments.

Implementation of Recommendations

We followed up 10 audit activities. In total, 59% of agreed actions have been implemented, 21% were in progress and 20% were either no longer relevant or not implemented at the time of the review. The individual reviews are detailed within the table of activities within the report. Executive summaries for reviews such as Energy Management and Procurement Card processes that are still areas of concern have been included within appendix B due to being allocated limited assurance. Where important recommendations have not yet been actioned, we will continue to track progress.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	32	46	25	103	
Implemented	0	16	29	15	60	59
Partial / In progress	0	8	9	5	22	21
Alternative actions taken	0	0	2	0	2	1
No longer relevant / not implemented	0	8	6	5	19	19

Corporate Governance

Internal Audit produced a control self-assessment questionnaires for Directors and senior management to complete. A review of responses identified issues to feed into the Annual Governance Statement. The new significant issues to be addressed are reported elsewhere on the Audit Committee agenda.

The Risk Management Board is chaired by the Director of Resources and S151 Officer and has representation from all directorates, along with Insurance and Internal Audit. Departmental risk registers are updated and discussed at each meeting (approximately every six weeks) and recorded on POWA, 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. Internal Audit led on Fraud Risks and the development of the COVID-19 risk register. This was monitored and updated on a regular basis as risks emerged during the pandemic. It has now been incorporated into departmental risk registers.

An audit review was undertaken during the year which included an overview of strategy, policy and governance arrangements. This was given a reasonable assurance rating based on the high level review with the intention to drill further into operational processes and their effectiveness during 2022 / 23.

Internal Audit have been involved in the Information Management Strategic Board meetings, with particular focus on cyber security issues and progress of the IT strategy during the return of IT management from Serco to the Council. Other areas have included policy reviews and information governance performance / incident reporting.

A separate Cyber Security review was also undertaken which focussed on actions taken following an external review. Action plans identified that areas remained outstanding with no target implementation dates. The report was presented to Audit Committee in November 2021 with an officer from the Customer and Digital Directorate in attendance to answer questions.

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. 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 and outcomes of the work undertaken by internal audit are incorporated within the investigations annual report.

Financial Governance

Financial Resilience – improvement plans. Significant work had been ongoing within the business as a result of the organisations position in relation to financial resilience. The Chief Internal Auditor was selected as part of a senior manager working group to work through the various external governance reviews undertaken and establish a coherent Improvement Plan to move the Council to future sustainability and better financial governance. This was approved by Council and submitted to DHLUC.

The Sundry Debtors system had been reviewed and followed up during the year. Overall, it was found that there is evidence of sundry debt management activity being undertaken but there were opportunities to formalise processes further around stakeholder roles and responsibilities. A significant factor for current outstanding debt is unpaid invoices by local Care Commissioning Groups due to disagreement over funding recharge structures. This was a known issue which was found to be actively being addressed when the follow up review was undertaken.

A review of the procurement card system was also undertaken to establish what process changes had been made as a result of response to the pandemic and any effect on the control environment. The impact of covid-19 on processes was found to be minimal however it was found that generally the control environment could be improved. Subsequent follow up action did not demonstrate that recommendations had been sufficiently implemented resulting in a further limited assurance rating.

Work that is ongoing includes a review of payroll and Pension Services processes, particularly around amendment to posts and the accuracy of calculations.

We also undertook various consultancy activities which included advice:

- during the development of a one-off process for customer refunds regarding brown bins.
- regarding the Mosaic system where changes in process for system payments were implemented.
- around the development of an electronic 113 agreement in relation to shared services following the restructure and merger of CCC and PCC IT service teams.

Partnerships and External Organisations

A follow up review was performed regarding the Shareholder Cabinet Committee. There had previously been 6 recommendations which related to governance around the committee and client management arrangements. No areas of concern were identified.

We also carried out a financial audit of the Mayor's Charities Fund for 2020/21. This was not necessary under Charity Commission requirements, as the income level fell under a threshold, however management requested the work to provide assurance prior to disbursement of funds.

Consultancy advice in relation to the process of precept setting and internal and external audit for Parish Councils was also undertaken.

COVID – 19

Time has been spent on government led initiatives to support the economy, the key one being Business Support Grants. Initial advice was given during the scheme set-up and work has been conducted (and is still underway) to provide assurance that payments have been in line with the criteria set. This work is being carried out under the guidance from the Department of Business, Energy and Industrial Strategy and includes monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error. Work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.

In addition to Business Support Grants a number of funding payments have been received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.

We have also reviewed Compliance and Enforcement grant activities in relation to Covid-19, which included the cost of our Covid Marshalls.

Service Delivery

A range of Audit activities have been undertaken within this area some of which include:

IT Asset Management Follow-up which had previously been flagged as an area of concern. Considerable progress has been found to have been made in year regarding the development of a live asset register.

Planning Procedures and Governance reviewed the assessment of applications against the development plan, approval processes, supporting information and the effectiveness of the Planning and Environmental Protection committee. The review found that management are maintaining comprehensive documentary evidence to support planning decisions made. There was also evidence of good Councillor and Committee engagement, including performance reporting.

Towns Fund – A review of the governance arrangement in place for the management of funds issued from central government was found to be operating satisfactorily. The work undertaken was also used to provide assurance for certification purposes. A further project review is due to commence in 2022 / 23.

The HR Management System was reviewed initially to establish the effectiveness of sickness absence management processes within the system. Gaps in data in the use of the system was identified and the scope was extended further to include annual leave as part of the follow up arrangements. The HR team are actively monitoring the issues raised via system reporting that has been developed during the year and further follow up review will establish the effectiveness of actions implemented.

Regional Adoption Agency operations were previously undertaken by TACT on behalf of the council and arrangements were made to bring the service back inhouse as a shared service with County, albeit with County overseeing the joint financials. The review encompassed the governance around the joint arrangement, contract and partnership monitoring arrangements along with financial monitoring. Some governance arrangement improvements have been recommended which will be followed up during 2022 / 23.

Project Reviews have included the Middleholme Project where concerns around project governance what identified. A summary of the review is attached in appendix B. A review of the Disaster Recovery Project was also undertaken which reviewed the key objectives of the project.

Business Continuity follow up which identified that limited progress has been made on implementing the centralised aspect of business continuity primarily due to staff shortages. Work is also in progress relating to departmental business continuity plans.

A significant follow-up of Energy Management was also conducted to determine progress of recommendations from the original Internal Audit report which included contractual arrangements, data collection and monitoring and payment of invoices. Whilst progress has been made there are still some key areas remaining to be actioned. See appendix B for further information.

Cambridge County undertook a review of the Healthy Child Contract which is a shared service arrangement and assurance has been used as part of our working protocol. The review identified the current terms of the Agreement are not sufficient to drive provider performance, quality and effectiveness. In particular, there is a lack of financial transparency which impedes the Authority's ability to demonstrate that the contract represents value for money due to the lack of a pricing schedule. County have confirmed that actions are already being implemented and an update will be provided once complete. See appendix B for further information.

There has been a limited amount of work undertaken in year regarding contract activities. This has been primarily due to the organisation focussing on key contracts as part of the improvement planning process which has drawn on external bodies to assist management. However within each audit scope consideration is given to any contractual issues that may arise. We also look to obtain assurance from Cambridge County internal audit team where there are implications for the organisation. The Healthy Child Contract being an example of this. Additionally, there is now a Contracts specialism within the newly restructured IT department and there are plans to develop a contract management framework, initially for IT contracts. We will work closely with them on this over the coming year to better inform the control environment for this area of business activity.

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: At the time of our audit being undertaken it was found that despite the creation of a Cyber Security Board in 2020 to provide specific governance over IT and cyber security no meetings had taken place. An external IT audit identified remedial actions were required such as unsupported operating systems and cyber incident management plan update. IT action plans indicated that key remedial actions remained outstanding with no target dates for completion. This was brought to the attention of the Audit Committee and an officer from the Customer and Digital Directorate attended a meeting in November to discuss what remedial action was going to be taken in response to the audit findings. Follow up action has been taken with recommendations either having been implemented or in the process of being addressed. This will be further tracked into 2022 / 23.
- Business Continuity: Emergency Planning is a shared service with County. Whilst the overarching strategy, co-ordination and tracking of business continuity is undertaken centrally, the responsibility for the establishment, operation and review of business continuity plans is that of each directorate. Due to resourcing issues, actions from a previous report had not been implemented centrally and business continuity tracking information was found to be incomplete.
- Programme and Project Management: Internal Audit review of project management has identified areas for improvement within its processes. The existing system is provided jointly to PCC / CCC and is on the POWER-BI platform. Current regulations refer to the use of Programme and Project Management procedures, although these do not exist in a standard and consistent form. In the absence of a standardised project management process,

several project initiation and approval processes have been adopted using different project initiation and business case proformas, e.g., capital programme projects, Rapid Improvement Team projects, IT projects. Similarly, a review of the Middleholme Project identified significant areas of concern around capital programme approval, ownership and responsibilities as well as financial management.

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. Five reports fall into this category.

Reports for 25 July 2022:

- Programme and Project Management
- Energy Management Follow-up
- Middleholme Remedial Project
- Procurement Card / Procurement Card Follow Up
- Healthy Child Contract (CCC)

RESOURCING AND PERFORMANCE

Resourcing

Internal Audit is an in house team with an establishment of 6.1 full time equivalent staff (FTE). During 2021 / 2022, it was agreed that one member of the team could remain in the covid-19 hub for a further year to assist with business operations. The team also had a vacancy for a senior auditor post, which was recruited to permanently in year resulting in a 0.75FTE. The table below shows a further reduction in time available to Internal Audit at the Council in two ways. | Firstly is shows the direct time for audit activities and secondly the non-audit work which relates to the Chief Internal Auditor's role in managing the Insurance and Investigations teams, reviewing stage three complaints and involvement in the Job Evaluation panel.

	No. of posts	Planned	Total in post for 2021/22	Audit Work PCC	Non-Audit Work	Total FTE available for PCC
	Posts	FTE	FTE	%	%	FTE
Chief Internal Auditor	1.0	1.00	1.00	47	53	0.47
Group Auditor	2.0	1.60	1.60	96	5	1.55
Principal Auditor	1.0	0.50	0.50	100	-	0.40
Senior Auditor	2.0	2.00	0.75	100		0.75
Auditor	1.0	1.00	1.00	100	2	0.98
TOTAL	7.0	6.10	4.85			4.15

Performance

We have delivered 779 audit days against an original plan of 706 days. The increased number of days can be contributed to less time being attributed than previously provided for regarding indirect time overheads such as sickness, a corporate initiative to allow additional leave entitlement to be carried over into 2022 / 23 and additional hours being worked in year.

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 plan was presented to Audit Committee March 2021 and contained 57 reviews. Although some reviews have been removed, others added, and scopes of work have been changed, we have completed 54 pieces of work and have 7 currently in progress.

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 2018 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 2021/22.

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, particularly follow-up processes.
- A review of how we track recommendations, the outcome of this will be demonstrated during 2022 / 23.
- Processes for audit outputs i.e., memos to ensure and audit opinion is applied where practical.
- Further development of a protocol with Cambridgeshire County Council Internal Audit for auditing services that are shared between the Councils and the assurance that can be placed on the review work undertaken.

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. 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. The team is presently exploring other ways of staff development where an apprenticeship role is being considered subject to funding availability.

ASSURANCE LEVELS AND RECOMMENDATIONS 2021 / 2022

Audit Activity	Department	Audit Type	Assurance opinion	Description
ANNUAL GOVERNANCE AND ASSURANCE				
Annual Governance Statement Review	All	Consultancy	n/a	Production of control self-assessment questionnaires for Directors and senior management. Review of responses to feed into the Annual Governance Statement for new significant issues to be addressed. Review, analysis of previous AGS and update previous areas requirement improvement. Progress against actions demonstrated and either deleted as achieved or rolled forward. Development of the AGS in Conjunction with the Corporate Director of Resources. Annual Governance Statement 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Governance Statement 2021 / 2022 presented to Audit Committee on 25 July 2022
Annual Investigations Report	All	Consultancy	n/a	Annual Report for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Report for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Insurance Report	All	Consultancy	n/a	Annual Report for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Report for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Audit Opinion	All	Consultancy	n/a	Mid-year progress for 2021 / 2022 was presented to Audit Committee on 29 November 2021.
				Annual Opinion for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Opinion for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Audit Plan & Strategy	All	Consultancy	n/a	For the production of the IA plan for 2022-23 a discussion report was presented to Audit Committee on emerging themes and planning approach on 21 February 2022. The Plan, Strategy, Code of Ethics and Charter were presented to Audit Committee on 21 March 2022.
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	Annual review for 2020 / 2021 was reported to Audit Committee on 29 July 2021.
				Annual review for 2021 / 2022 was reported to Audit Committee on 25 July 2022.

Audit Activity	Department	Audit Type	Assurance opinion	Description
CORPORATE GOVERNANCE				
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.
Shareholder Cabinet Committee	All	Consultancy	n/a	Completed A report providing SCC with details of all audit activities undertaken to support the workings of the committee. Presented to Committee on 13 September 2021
Risk Management	All	Consultancy	n/a	Ongoing Membership of the Risk Management Board which meets approximately every six weeks and reviews all departmental risk registers. Risk registers are held on software (POWA) in conjunction with County. Reports were provided to Audit Committee on 21 March 2022. Risk Management was also reviewed as an audit and report details can be found further in the report. Chief Internal Auditor is the current lead officer in terms of coordinating the development and implementation of risk management across the Council.
National Fraud Initiative	All	Consultancy	n/a	Complete Bi-annual exercise where data matching undertaken. Data submitted in October 2020 and matches start to be received in January / February 2021. Additional data included in this exercise related to grants made payable to businesses as part of Covid-19 payments. Further details of matches and progress were reported to Audit Committee on 21 February 2022 and also in the Annual Investigation Report presented in 25 July 2022.
Anti-Fraud Policies	All	Consultancy	n/a	Complete Counter Fraud Policies are refreshed on regular basis. Fraud Policies presented to Audit Committee on 21 February comprised: <ul style="list-style-type: none"> • Money Laundering • Sanctions and Prosecution Policy – Council Tax • Sanctions and Prosecution Policy – Blue Badges and Parking Permits

AUDIT ACTIVITY	Department	Audit Type	Assurance opinion	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
FINANCIAL SYSTEMS									
Sundry Debtors	Serco / All	Risk Based	Reasonable	0	0	6	6	12	Complete A review to assess the adequacy of sundry debt management to ensure that revenue due to the Council is maximised, avoiding the need to write off uncollected debt.
		Follow Up	Substantial	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions. 11 actions have been implemented with 1 action in a draft position.
Procurement Card System	Resources	Risk Based	Reasonable	0	3	3	2	8	Complete A review of changes to processes in response to the pandemic. No recommendations were made.
			Limited						Comments and recommendations were also made relating to business-as-usual aspects of the system.
Procurement Card System	Resources	Follow Up	Limited	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of recommendation made. Of the 8 recommendations made 2 had been partially implemented, 2 were in progress and 4 were yet to be actioned.
Payroll And Pension Processes	Resources / Serco	Risk Based							In progress Reviewing the arrangements between Payroll and Pension Services for making amendments to posts etc., the frequency of changes being made and checks performed by each on the accuracy of calculations.
Shared Services	IT and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete

									Consultancy advice regarding the development of an electronic 113 agreement following the restructure and merger of CCC and PCC IT service teams.
Waste Collection Refunds	Resources	Consultancy	Reasonable	0	0	3	5	8	Complete Control advice on the development of a one-off automated process for customer refunds regarding brown bins. An appropriate response to the recommendations made was provided before the refunds were made.
Mosaic Payment Controls	People and Communities	Consultancy	Reasonable	0	0	2	2	4	Complete Consultancy advice regarding the changes in process for system payments.
		Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Follow up of recommendations regarding the review above.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ORGANISATIONS									
External Bodies Oversight – Shareholder Cabinet Committee	All	Follow up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions (6 recommendations) regarding the arrangements for oversight of external organisations including the Shareholder Cabinet Committee and client management arrangements.
Newborough Parish council	Law and Governance	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Liaison between Finance, Audit and Legal to provide advice relating to queries raised about precept setting and the process of audit within Parish Councils.

City Culture Peterborough - Vivacity	People and Communities	Risk Based	n/a	n/a	n/a	n/a	n/a	n/a	No Further Action Planning work commenced and it was agreed that work would be suspended due to improvement planning arrangements and would recommence if required following outcomes.
Mayor's Charity	Law and Governance	Consultancy	Reasonable	0	0	0	0	0	Complete Funds for this charity fell below the Charities Commission threshold in 2020 / 21 and therefore an audit under the regulations was not required. However, management requested a review of the accounts to provide assurance that they were accurate and complete prior to the release of funds to the nominated charities. Due to limited transactions a follow up to previous recommendations will be undertaken during 2022/23 where there will more data to evaluate processes.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
COVID-19									
COVID-19 – Business Support Grants Schemes	Resources	Risk Based / Consultancy	In progress Initial advice was given during the scheme set-up and work has been conducted to provide assurance that payments have been in line with the criteria set. This work was carried out under guidance from the Department of Business, Energy and Industrial Strategy (BEIS) and included: monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error. Work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.						
Compliance and Enforcement Grant	Resources	Grant	Certified	A grant supplied to cover compliance and enforcement activity in relation to Covid-19, which included the cost of our Covid Marshalls.					
City College Arts Cultural Recovery Fund – Round 1	People and Communities	Grant	Certified	Additional funding received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.					

City College Arts Cultural Recovery Fund – Round 2	People and Communities	Grant	Certified	Additional funding received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.
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Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
PCC Improvement Plans	All	Risk Based	n/a						Complete CIA selected as part of a senior manager working group to work through the various external governance reviews undertaken and establish a coherent Improvement Plan to move the Council to future sustainability and better governance. Approved by Council and submitted to DHLUC.
Business Continuity	All	Follow Up	Not Assessed	0	0	4	3	7	Follow Up The initial strategic review was started before the first lockdown and an interim memo gave initial findings to assist in emergency preparations. Limited progress was found to have been undertaken and a further review is due in July 22
		Risk Based							In progress A review of Departmental Business Continuity processes and plans.
IT Asset Management Follow Up	Customer and Digital	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A follow up of the implementation of actions following the review of the management of portable IT equipment. Of the 11 recommendations 5 have been implemented, 5 were in progress and 1 low recommendation had not been actioned. Considerable progress has been made regarding the development of a live asset register. Action implementation will be further

									monitored where there are outstanding issues.
Risk Management	All	Risk Based	Reasonable	0	1	9	2	12	Complete A review of risk management processes to include the function of the Risk Management Board, strategy and risk register information.
Risk Management – Shared Service Process Development	Resources / CCC Internal Audit	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the feasibility and governance regarding a joint approach to risk management across both authorities. Decision taken not to amalgamate - work concluded as a result of business restructures.
Programme and Project Management	Business Improvement and Development	Risk Based	Limited	0	1	4	0	5	Complete A review of programme and project management processes to include project governance, POWA, policy and the approach of the PMO.
Payments in Lieu of Notice	Resources	Consultancy							In draft A review of the process for, and payments made under, PILON arrangements.
HR System – Absence Management	Chief Exec	Risk Based	Reasonable	0	0	5	2	7	Complete A review of the new HR management system which was implemented during 2020 to include the process operation of the system and associated management data.
		Follow Up							In progress Follow up of recommendations regarding the review above with extended scope to include annual leave.
Cyber Security	Customer and Digital	Risk Based	Limited	0	9	3	0	12	Complete A review of Cyber Security Controls. Executive Summary issued to Audit Committee 29 November 2021.
		Follow Up	Not yet assessed	n/a	n/a	n/a	n/a		In Progress Follow up of recommendations regarding the review

									above with extended scope to include annual leave.
Mobile Phone Contract – EE Tech Fund	Customer and Digital	Risk Based							In Draft A review to establish how PCC's Tech fund arising from the 2019 contract with EE was spent
Teacher's Pensions – Premature Retirement Payments	Resources	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A follow up to the previous investigation of possible errors in premature retirement pension payments, and subsequent review of the management of this process where 6 recommendations were made. 3 recommendations have been implemented, 2 are in progress and 1 is yet to be actioned.
Planning Procedures and Governance	Place and Economy	Risk Based	Reasonable	0	0	4	1	5	Complete A review of governance arrangements, compliance and information processes to inform committee decision making.
Energy Management	Place and Economy	Follow Up	Limited	0	0	1	0	1	Complete A review of the implementation of agreed actions following an audit of the processes in place for managing our energy costs, including contractual arrangements, data collection and monitoring and payment of invoices. 1 new medium recommendation has been made. Of the previous recommendations - 21 implemented, 5 partial/in progress, 7 not implemented (inc 6 high)
Middleholme Remedial Project	Place and Economy	Special Investigation	Limited	0	6	0	0	6	Complete A review of project governance controls over plans to remediate Middleholme and prepare it for onward sale and development. Exec Summary to Audit Committee 15 July 2022.
Towns Fund	Place and Economy	Risk Based	Reasonable	0	0	1	1	2	Complete A review of the governance arrangements and audit framework in place for the management of funds.

		Certification	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Assistance with the compilation and certification of the governance statement to DLUP
Milestone Contract Approvals	Place and Economy	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice in relation to contract approval processes to include Financial Regulations and Contract Rules.
Disaster Recovery Project	Customer and Digital	Risk Based	Reasonable	0	1	0	0	1	Complete A review of the Disaster Recovery Project (ITDS77) which was implemented during 2021.
ITSM System Approval Process	Customer and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice regarding alternative proposals for providing upfront management authorisation of certain types of ICT service requests in the new Hornbill/ITSM system.
Digital Signatures Project	Customer and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice regarding a new project to implement digital signature software across the authority.
Regional Adoption Agency	People and Communities	Risk Based	Reasonable	0	0	7	0	7	Complete A shared service arrangement which was brought back inhouse in 2021. The review focussed on governance arrangements, contractual management and partnership agreement monitoring, and financial arrangements.
Payment Data Analysis	Resources								On hold Leading on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. £8.5k worth of duplicates discovered during research phase. (A business case has been raised for further development)

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ASSURANCE									
HealthyChild Contract	People and Communities	Risk Based	Limited	0	5	7	3	15	Complete A review of contract arrangements in place to include specification, monitoring and performance.

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.
Emergency Active Travel Grant	Place and Economy	Grant	Certified	Additional DfT grant funding via the CPCA to support and assist travel arrangement during the Covid pandemic
Highways Maintenance 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.
Home to School Transport – Additional Funding	Place and Economy	Grant	Certified	Additional covid grant funding allocated via the CPCA to assist and support travel arrangements for students.
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.
Hampton Hargate School	People and Communities	Grant	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
Connecting Families	People and Communities	Compliance	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.

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

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
Cyber Security	Limited	November 2021
Programme and Project Management	Limited	July 2022
Energy Management – Follow Up	Limited	July 2022
Middleholme Remedial Project	Limited	July 2022
Procurement Card Assurance	Limited	July 2022
Procurement Card Assurance - Follow up	Limited	July 2022
Healthy Child Contract (CCC)	Limited	July 2022

Executive Summary - Programme and Project Management

Introduction

The Business Improvement & Development (BID) directorate defines projects as “a series of interrelated activities undertaken to achieve a specific result within a set time frame and budget”. BID includes Project Management Office (PMO) services that provide support on business case development, project delivery, change management and benefit realisation across the organisation. This service applies to CCC only. CCC projects follow a standard project management and assurance framework which includes standard processes, manuals and templates which are located on the BID intranet site on Camweb. CCC projects follow a 4-stage project lifecycle; Early Ideas, Business Case, Implementation, Delivery & Benefits Realisation.

Central PMO provision for PCC was disbanded in 2019 and a standard project management and assurance process does not exist for PCC projects. A limited project support service is provided by the IT & Digital Services team for IT related projects only. IT projects follow a 6-stage project lifecycle; Decide, Define, Design, Develop, Deploy, Discharge. IT project progress is recorded on the POWA web-based project management system, and are subject to IT specific project governance arrangements. POWA is not used by the Business Improvement & Development PMO team, although it is used by the CCC Major Infrastructure Delivery team for managing CCC construction projects. CCC Construction projects follow their own 7-stage project lifecycle process and are supported by a dedicated CCC Place & Economy PMO team.

In April 2021, the Director of Business Improvement and Development presented a project governance proposal paper to JMT with recommendations to introduce a standard and unified approach for project governance, standard corporate PMO support, and the use of POWA for managing all projects. The recommendations were approved and are to be implemented.

In September 2021 an external assurance report on PCC governance was issued on behalf of the Department for Levelling Up, Housing & Communities (DLUHC), stating that Council support “in the form of business case development and project management to support implementation is insufficient and, therefore, should be reviewed and strengthened”.

Objectives and Scope

The purpose of the audit is to assess the adequacy and effectiveness of programme and project management controls and processes. The review will assess:

- Adequacy and effectiveness of existing programme and project management, governance and assurance process;
- Adequacy of documented programme and project management policy and procedures;
- Adequacy of plans to introduce a standard and unified approach for project governance;
- Adequacy of plans to provide a standard approach for PMO support;
- Adequacy of plans to introduce mandatory use of the project management system;
- Adequacy and effectiveness of Council Member oversight and governance processes over key projects and programmes; and

- Adequacy and effectiveness of oversight and management of projects delivered on behalf of the Council by external contractors, e.g. Se rco, Aragon Direct Services, Milestone Infrastructure.

The scope of this audit includes assessment of project management processes applied to all types of PCC projects, including IT and non-IT projects.

Main Findings

- PCC Financial Regulations refer to the use of Programme and Project Management procedures, although these do not exist in a standard and consistent form.
- Although the PCC Constitution requires mandatory use of the Council's project management system for high value projects, the project system is only used for managing and recording IT and CCC major infrastructure projects. Use of the Council's project management system is not enforced, thereby missing an opportunity to standardise the project management and reporting framework.
- In the absence of a standardised project management process, several project initiation and approval processes have been adopted using different project initiation and business case proformas, e.g. capital programme projects, Rapid Improvement Team projects, IT projects.
- There is an opportunity to enhance Council or oversight of programmes and projects by providing Scrutiny Committees and other relevant Committees with project progress reporting. This would improve Council or visibility of project performance and allow opportunity to scrutinise project implementation.

Conclusion and Opinion

The Business Improvement & Development directorate have already identified key deficiencies of the Council's current project management process which is disjointed and does not follow a consistent prescribed project management methodology. The Council has a dedicated online project management system (POWA) which is not widely used, although the PCC Constitution does direct mandatory use of a project management system. The findings and observations raised by this audit fully support project management issues identified by the BID team.

Project management weaknesses were also identified by a recent external governance assurance review commissioned by DLUCH. Consequently, the Council is creating an Improvement Plan to address issues raised, so we support the use of the Improvement Plan to address project management limitations and ensure action is taken to introduce a unified approach across the Council.

Executive Summary – Energy Management – Follow Up

Introduction

The 2020/21 audit plan included time allocated to follow up recommendations and agreed actions from recent audit reports. A review of the way the Council deals with its gas and electricity bills was carried out in 2019, leading to the issue of the draft audit report in early November 2019. The final version of the audit report, featuring management's response to recommendations was issued in January 2020. The audit resulted in a Limited Assurance rating, and 23 recommendations, of which 12 were rated high priority. In response, management identified 33 actions to address the issues detailed in the audit report. The main issues identified during the audit had been:

- No one officer with day-to-day responsibility for managing energy supply contracts and billing, with several teams involved working for partner / joint venture organisations, reporting to different Council-side managers
- No single maintained list of all Council gas and electricity supplies. There was a significant backlog of bills, paid via the corporate process, to be entered to the Technology Forge (TF) system, while separate spreadsheets maintained by Street Lighting team and NPSP were very different in format and the information recorded. NPSP's Utility Batch Header Spreadsheet (UBHS) was not being fully completed in a consistent and accurate way (e.g. dates of payments made were not being recorded).
- The main corporate process for paying utility bills remained virtually the same interim process introduced in 2010 while payment automation was investigated. The corporate process was inefficient and resource intensive, unreliable, and prone to errors (Council- and supplier-side), with a lack of corporate view of the balances of individual accounts. Evidence was found of significant overpayments, duplicate payments, unredeemed credit notes, unexplained gaps in billing, and incorrect treatment of rolled forward balances (though not all suppliers quoted these on their bills).
- Detailed examination of one British Gas Business (BGB) electricity account, which stated a balance of nearly £1700 owed to them, found the account littered with BGB errors including uncredited payments, a credit note amount treated as a debit value, and an over-credited payment. This prompted a recommendation that all accounts be fully reviewed and resolved.
- Lack of clear responsibility for taking of meter readings to ensure bills were as accurate as possible.

In September 2019, notice had been given to Crown Commercial Services (CCS) that the Council wished to leave CCS' gas and electricity supply frameworks. The Council intended to move to ESPO's own gas and electricity supply frameworks from 1st April 2020, leading to supplies transferring on that date from CCS' contracted suppliers, mainly BGB, EDF, and Corona, to ESPO's contracted supplier, Total Gas & Power (TGP). In light of the findings of the last audit, it was imperative that all gas and electricity accounts be checked, and where necessary resolved, to allow the transfer to the ESPO frameworks to take place.

Objectives and Scope

Internal Audit were made aware that many supplies had failed to transfer to ESPO and TGP on 1st April 2020, following objections from incumbent suppliers due to outstanding debt on individual supply accounts. As a result, the supplies that failed to transfer were then on higher off-contract rates. Internal Audit delayed following up recommendations and agreed actions to enable NPSP to concentrate on resolving the outstanding accounts and getting them added to the ESPO framework. A follow up was conducted in 2021. This covered:

- Progress made against the recommendations made and actions agreed during the previous audit, and
- Identification of the reasons supplies failed to transfer to the ESPO framework on 1st April 2020

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

Areas of Significant Progress

Significant progress has been made against a number of issues, including: appointment of the then interim Head of Property as lead officer with responsibility for energy billing and contracts at the end of 2019; clearance of the backlog of bills to be entered to TF and maintenance of TF as an up-to-date record of bills processed by NPSP; all staff in NPSP and the Street Lighting team involved in processing utility bills having access granted to the appropriate billing portals and thus can confirm account position and obtain missing bills; reported good engagement from officers providing meter readings from outlying Council-occupied properties (although little progress had been made against obtaining smart meters); dates of batch payments per Agresso now being recorded to the Utility Batch Header Spreadsheet; and the identified bill batches that had failed to reach Agresso had been resolved.

Processes & Payment Automation

The overarching review and agreement of the corporate utility bill payment processes, involving key stakeholders, agreed by management in response to the audit report had not taken place. Internal Audit recommended investigating the feasibility of re-introducing payment automation. Shortly after the report was finalised, it was suggested that this might be too costly. It was agreed to investigate the reasons why the SystemsLink system that had been procured several years ago was abandoned without ever having operated, but this investigation does not seem to have taken place, and the then interim Head of Property left the Council in May 2021. Only minor changes to corporate processes have taken place.

Treatment of Rolled-Forward Balances

The treatment of stated rolled-forward balances on bills continues to be a problem. Several examples were noted where payments to be made included rolled-forward balances, but the earlier bills had been paid but the amounts not yet credited. Inclusion of rolled-forward balances can lead to overpayments to, and credit balances on, the utility accounts. Equally, rolled-forward balance errors with credit notes can lead to unexpected debt balances.

E.on Street Lighting Contract

Informal agreement to award a single contract to E.on in respect of electricity supply for rural / parish street lighting for 2019-20 had been provided, due to a financially advantageous time-bound offer from E.on. No formal contract exemption had been completed. It is understood that this was not rectified, and the issue appears to have recurred for the 2020-21 contract award.

Transfer from CCS to ESPO

It is understood that the decision to move frameworks had been driven by the desire for better management information, and was not based on cost. A formal procurement exercise was conducted during 2019-20, leading to a decision to award contracts from the ESPO framework. Many supplies failed to transfer to the ESPO framework on 1.4.20, due to objections from incumbent suppliers in relation to unresolved debt balances. There are a number of factors that appear to lie behind this.

- As highlighted above, the Council had a poor starting position in 2019 at the point that notice to leave CCS was given, with no lead officer responsible for energy billing or supply contracts; no single up to date list of all supplies; and various Council and partner teams involved with differing types of information available.
- Debt balances were not always obvious. There was no corporate view of the account position of all supplies. BGB and Corona rarely quoted account balances on their bills, and debts on their accounts were not really known about. Internal Audit had recommended that processing officers be given access to all necessary billing portals to allow a full review of each account to identify those with hidden debt. While portal accesses were arranged, accounts only started to be reviewed once they appeared on the ESPO 'objections lists'.
- Some supplies were not on the CCS framework, and therefore did not appear in information provided by CCS. Such supplies have emerged at various times, including after 1.4.20. There was no clear process around how supplies should be added to a framework, and a lack of understanding within NPSP around how the frameworks operate and which suppliers could / should be used and in what circumstances. This was exacerbated by suppliers' bills not always making clear whether supplies were on framework or not (a particular issue with the Council's two main suppliers, BGB and Corona).
- Delays in receiving requested information from suppliers during the procurement exercise

- Annual fixed date by which notice to quit the CCS framework must be given to prevent lock-in for a further year. It is understood that concerns were raised that Council were not ready to give notice, but chose to go ahead, without knowledge of whether the Council's supplies were in fit state to allow a transfer.

Internal Audit examined Agresso billing records for the Council's utility suppliers, and identified approximately 140 gas and electricity supplies that were not with TGP after 1.4.20, and therefore had not been on the ESPO framework, and were subject to off-contract rates likely to be substantially higher than chargeable under the ESPO framework. It is not known what tariffs would have applied from 1.4.20 had supplies transferred to ESPO/TGP on time, but comparison of the BGB off-contract tariffs, and the ones applied by TGP following transfer, for two electricity supplies in 2020-21, illustrate the financial difference between the two arrangements:

Site & Supply	1.4.20-3.9.20			
	Consumption (kWh)	BGB actual net cost (off-contract)	Notional cost using TGP's tariff at 3.9.20	Difference
Westcombe Engineering Units 6-10 (MPAN *964)	56,046	£12,740.50	£7,536.82	£5,203.68
Cherry Lodge (MPAN *060)	17,792	£5,222.96	£2,624.27	£2,598.69

The gas supplies that had remained with Corona on 1.4.20 were resolved by early July 2020, thanks in part to significant co-operation from that supplier. Supplies with BGB are taking far longer to resolve, particularly since they are not responding to queries in a timely manner, and the Council's client manager at BGB has left and not been replaced. Examination of recent bills in Agresso suggest that fifteen months on there are still at least 27 ongoing supplies with non-ESPO framework suppliers (mostly BGB), which won't be on a proper contract.

Conclusion and Opinion

Corporate billing processes are substantially unchanged, and therefore are likely to remain significant factors in delays and errors in payment by the Council, and errors in crediting accounts by utility suppliers. Payment automation might require invest-to-save funding, but this should be weighed carefully against the resources required to manually process invoices, to investigate and resolve missing bills or resolve the non-crediting of accounts by suppliers, rectify rolled forward balance errors, and the cost of late payment charges, if manual processes were to be retained. Payment automation might also realise potential rebates against bills for prompt payment.

The key priority is the review and resolution of all gas and electricity accounts, and transferring any non-ESPO supplies to the ESPO framework as quickly as possible in order to benefit from lower contract prices. It is understood that NPSP are concentrating on resolving the supplies that remain on BGB objections lists, with non-ESPO framework supplies at domestic and commercial rental properties being left for the time being. It is our advice that all of the Council's supplies should be moved onto the framework where practicable.

Executive Summary – Middleholme Remedial Project

Introduction

Middleholme is a 40-acre site to the east of the Peterborough Embankment which is jointly owned between PCC (17%) and Milton Estates (83%), with PCC leasing the proportion owned by Milton. Middleholme has been identified as having scope for residential development, sports and leisure uses, and forms part of the Place & Economy regeneration strategy as an element of the city centre regeneration framework supported by the Towns Fund.

A grant of £550k of Brownfield Land Release Funding (BLRF) from DLUHC was applied for in June 2021, and formally accepted by PCC in November 2021. Due to time criticality, audit findings related to the BLRF grant application and the Middleholme project were originally raised with Place & Economy and Resources management immediately before the grant acceptance deadline. There has since been personnel changes at Director level with no formal response to audit findings previously raised. The grant was formally accepted by PCC in November 2021 on the understanding that grant monies can be returned to DLUHC without penalty if PCC management decide that Middleholme remediation is not viable.

Heads of terms with Milton Estates, signed by PCC in February 2021, confirm that both parties are equally responsible for costs of professional advice and services required for promoting and selling the land. Net proceeds from the sale are to be apportioned as 38.9% for PCC, and 61.1% for Milton Estates. PCC will also be reimbursed for the acquisition of land in April 2019 relating to Medesham Homes (Title CB43722) at a purchase cost of £235,000 plus VAT, land tax and professional fees.

We acknowledge that the new Resources and Place & Economy Directors have plans to improve capital project governance to help avoid deficiencies identified with the Middleholme capital initiative. Solutions include new a capital governance structure which is currently being implemented and the potential for a dedicated grant bid team and corporate property function.

Objectives and Scope

The purpose of the audit was to assess the adequacy and effectiveness of project governance controls over plans to remediate Middleholme and prepare it for onward sale and development.

Main Findings

- The remediation and proposed onward sale of Middleholme has not received appropriate Capital Programme approval.
- The Middleholme remediation project will expose PCC to an uncertain level of cost liability due to the fixed value of external BLRF funding available and the undetermined level of remediation costs which have only been estimated at this stage. Formal agreement is required from Milton Estates to limit the cost exposure to PCC if the remediation project proceeds.

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- There is a lack of clarity regarding responsibility and ownership of the Middleholme remediation project.
 - Management need to ensure that a dedicated project budget code is created as required.

Conclusion and Opinion

Urgent management attention is required to clarify ownership of the Middleholme project, and ensure that appropriate Capital Programme approval is obtained before the Council is exposed to cost liabilities associated with remediating the land at Middleholme. The Brownfield Land Release Funding has already been formally accepted by PCC.

Executive Summary – Procurement Card Assurance

Introduction

Government Procurement Cards, also known as PCards, were rolled out across the Council many years ago as an efficient means of making low value purchases without the need to go through a traditional purchase order and invoice arrangement, and thus saving time and money in administration. PCards operate like credit cards, with Barclaycard paying the supplier, then recharging the Council. The Council pays off the amount spent each month in full via a variable direct debit.

In the final three full months before the first Covid lockdown took place (Dec 19-Feb 20), 38 cardholders made 542 transactions, costing a total of just under £77k. Pro rata, this equates to an expected annual spend of approximately £310k.

This audit was not part of the original 2020-21 audit plan, but was initiated due to increased risks around PCard transactions following lockdown, stemming from most employees working from home, the possible need for normal expected controls to be relaxed, and potential changes to the types of things needing to be bought (e.g. Covid-related items).

Objectives and Scope

The purpose of the audit was to obtain:

- Assurance over PCard expenditure during the initial phase of the Covid-19 crisis, using data analysis techniques to identify possible issues for further investigation/query.
- Advice on improvements to controls where appropriate, bearing in mind the need to respond to the emergency.

The scope covered potential changes to PCard controls as a result of the Covid-19 pandemic (such as increased card limits), and PCard transactions from mid-March 2020 onwards. 31 cardholders who had used their PCards since 23.3.20 were invited to complete a survey to ascertain the controls operating locally before, and changes that had taken place as a result of, the first lockdown. 18 cardholders responded, allowing a better picture to be obtained than might have been the case from limited sample testing.

Transactions for the period March to August 2020 were obtained and analysed.

One PCard was lent to the County Covid Hub in April 2020 to facilitate the purchasing of emergency food for vulnerable residents who were shielding. The use of that PCard, and the control arrangements surrounding it, are being covered in a separate audit review, and so are not specifically commented on within this report. A recommendation has already been made to retrospectively review all transactions since the PCard was borrowed.

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

Covid Related

- There have been no significant changes to expected PCard controls imposed or offered by the Procurement team as a result of lockdown. Additionally, cardholders' survey responses did not really indicate changes to controls stemming from the Covid lockdown introduced within discrete teams or service areas, and none of the respondents indicated a particular change in how their cards are used, although some identified changes in relation to the type of things being bought, including Covid-related items.
- Five PCards' limits were temporarily increased for specific Covid-related purposes. All five increases were eventually ended. Two of these increases were ultimately not needed, but the justifications behind all of the requested increases seemed reasonable.
- Overall there was a reduction in expenditure in the period reviewed. Comparison of PCard transactions for the three months immediately before (Dec 19-Feb 20) and after (Apr 20-Jun 20) the first lockdown month showed reductions in overall expenditure (19.6%) and total number of transactions (17%). The reduction would have been more pronounced had an existing PCard not been set aside to buy emergency food on behalf of the County Covid Hub for distribution to vulnerable residents. Total expenditure via PCard Apr-Aug 20 was approx. £107k, and if Hub purchases are excluded, it is noticeable that number and overall value of transactions had started to increase from July.
- Transactions generally seemed in keeping with the suppliers one would expect in the context of cardholders' roles, and with new Covid-related roles.

Other

- Two factor authentication has recently been introduced to BSM by Barclaycard, although this is not Covid-related. All cardholders and their managers require a card reader, and some managers to have a dummy card, in order to access BSM. It is understood that not all cardholders and relevant managers have yet received card readers, and therefore are unable to log into BSM.
- PCard guidance for cardholders and managers is out of date and in need of review, and the BSM training slides have not been made available to all cardholders.
- Cardholder survey responses revealed that even before lockdown commenced, 16 out of 18 of respondents did not pass their transaction information and evidence to an appropriate manager for checking every month, breaching the Council's PCard instructions.
- A third of cardholders who responded to the survey permit their card, or card number, to be used by other officers, also breaching PCard instructions.
- It was noted that a PCard assigned to an officer who left the Council on 29.2.20, had been used twice on-line following their departure. It is unclear at this time who performed these transactions, and whether it was legitimate business expenditure. This issue is under review.

Conclusion and Opinion

There has been limited change in the PCard control environment and a general reduction in spend, with some exceptions where specific staff have been required to incur Covid-related expenditure. This gives some assurance over PCard expenditure, but must be viewed in the context of a control environment that is already limited. The last full audit of PCard administration and usage took place in 2010. The final report issued in Mar 11 gave an assurance rating of Limited Assurance, and identified issues that still remain today, including card sharing, lack of management review of transactions, and failure to assign VAT in the online PCard transaction system.

PCards differ from most other methods of expenditure used by the Council, because they allow a purchase to be made without a formal advance approval from an appropriate manager with budget responsibility. This places PCards at a higher risk of inappropriate purchasing than other methods. A key control of management review after purchase does not operate fully, and therefore expenditure is routinely incurred without the involvement of a second person. The extent of any potentially inappropriate expenditure is limited by a range of direct and indirect controls, including:

- The need for senior management to approve who can be a cardholder, a limited number of cardholders, the single and monthly transaction limits restricting how much can be spent, and permitted merchant categories controlling which types of suppliers can be used, applied to each card
- Normal expected budget monitoring arrangements may, in cases where the cardholder is not the budget manager, provide a backstop. However, this may be affected by the number of budgets a budget manager is looking after, and the volume of transactions within those budgets.

The audit opinion in relation to Covid-related changes is Reasonable Assurance. The audit opinion in relation to the general PCard control environment remains Limited Assurance. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 1.

During the review, Internal Audit have provided advice to:

- The Procurement team around the appropriateness of new PCards being sent direct by Barclaycard to cardholders' private addresses, and the necessity of cancelling PCards for cardholders who leave at the earliest possible opportunity
- Cardholder survey respondents regarding issues highlighted around merchant categories; recharges that have not been performed, and a PCard that is no longer required.

The issues identified during the review, including those items highlighted in the cardholder survey, are explained in more detail in the main body of the report, along with recommendations about how they might be addressed

Executive Summary – Procurement Card Assurance – Follow Up

Background

Internal Audit undertook a review of PCard transactions in 2020 to provide assurance over PCard expenditure during the initial phase of the Covid-19 crisis. This covered changes to PCard controls, how cardholders were using PCards, and changes to what they were buying. 31 cardholders who had used their PCards since the start of the first lockdown were sent a survey, and 18 responded. The main findings of the review were:

- There had been no significant changes to expected PCard controls, nor any real change to how cards were being used.
- Overall PCard spending and number of transactions had declined significantly, and the difference would have been more marked if one PCard hadn't been lent to the Covid Hub to facilitate emergency food packages for vulnerable residents.
- Historic and previously reported on control weaknesses remained evident. These included sharing of PCards and card numbers, and lack of review of transactions by cardholders' managers.

The audit opinion provided the following ratings:

- Covid PCard changes - Reasonable Assurance
- General control environment – Limited Assurance

Management responses to recommendations were provided on 4.6.21. Internal Audit followed up the agreed actions in November to ascertain progress.

Current Position & Conclusion

The current position against each recommendation is summarised in the table below.

Recommendation Status	High Priority	Medium Priority	Low Priority
Action(s) / Alternative(s) Fully Implemented			
Partially implemented	1		1
In progress		2	
Not actioned	2	1	1
Total	3	3	2

We note the comments in the recommendation responses about where responsibility for certain PCard actions are considered to lie. There is a lack of clarity around ownership of PCard processes (e.g. compliance monitoring, guidance and reminders etc) and this needs to be resolved. It is understood that initial discussions were held between Procurement and Finance over card sharing, transaction-checking, recharges and VAT compliance, but progress stalled and these issues are only just being picked up again.

As refreshed guidance / instruction and reminders around key controls have not yet been circulated, it seems likely that PCard / card number sharing and lack of transaction review by management is continuing, and two of the most fundamental controls are not being complied with. The failure of cardholders' managers to check transactions essentially leaves cardholders as the sole individual in the process, which would be considered unacceptable with other purchasing methods. This is only partially mitigated by other controls (e.g. spend limits, merchant category blocking where applied).

Executive Summary Extract – Healthy Child Contract

1. Audit Scope

1.1. The objective of this review was to provide assurance that:

A) Contract documents include appropriate clauses to ensure that the objectives of the contract can be achieved. These would normally include the following:

- A clear payment mechanism;
- Performance indicators (PIs) which are clearly defined and agreed and are used to measure/monitor the delivery of the contract;
- Compliance with national legislation and guidance;
- How performance can affect payment;
- How performance can influence an extension of the contract;

B) The underpinning policies and procedures in place are proportionate and effective in establishing a robust internal control environment for contract management and focus on the key areas above.

Monitoring arrangements in place are sufficient and give oversight of payment and performance and ensure compliance with the key controls set out in the contract documents.

Outputs are scrutinised effectively for both finance and performance to assess the accuracy of information given by providers on the overall delivery of the service contracted.

2. Internal Audit Opinion

2.1 The Internal Audit opinion on the control environment reflects the terms of the Section 75 Agreement in place. The opinion for this is *Limited*, reflecting the fact that the current terms of the Agreement are not sufficient to drive provider performance, quality and effectiveness. In particular, there is a lack of financial transparency which impedes the Authority's ability to demonstrate that the contract represents value for money. Key issues with the Section 75 Agreement are highlighted below, with additional detail provided at Section 7, below:

- The S75 Agreement lacks a pricing schedule to explain how the five pricing elements in the contract are broken down; how each element relates to the service specification; or what constitutes allowable (or disallowable) expenses against each pricing element. Introducing a detailed breakdown of

expected spend against the service specification was an accepted recommendation from the previous Internal Audit review in 2018, but although the service report that significant work was completed during the last recommissioning against this recommendation, it has not been sufficiently reflected in the contractual documentation and associated schedules within the section 75 agreement.

- The S75 Agreement provides for open-book reporting and an annual reconciliation, but the agreement does not define open-book reporting nor clarify what information should be included in this. The absence of a detailed pricing schedule means that these provisions would not necessarily enable the service to drive greater value for money from the contract even if they were implemented.
- There is a significant disparity in non-staff costs between the two NHS providers, which implies that the Agreement is not achieving the same value for money for Cambridgeshire as it is for Peterborough. For CPFT, delivering for Peterborough, the non-staff budget is 20.6% of the total cost of the contract, while for CCS, delivering for Cambridgeshire, it is 29.5%, with a majority of this difference (5.7% of the total 8.9% i.e. 64%) of this being a result of higher estate costs in Cambridgeshire. The previous Internal Audit review of Cambridgeshire's HCP in 2018 included an agreed recommendation to develop an agreed overhead rate for the CCS contract, supported by a detailed breakdown of how this was calculated. This has not been reflected in the new contract and the current audit did not identify any evidence to support the different rates of overheads and non-staff costs across the two locations.
- Although the contract includes an incentive scheme linking contract payments to performance measures, to date the incentive scheme has been on hold due to the Covid pandemic (see below). The incentive scheme only covers 3% of the annual contract value (£389,798); the low value of these incentive payments means that it is questionable whether the scheme would have a significant impact in driving performance even when it is implemented.
- Underspend against the contract in 2021/22 was 5.25%. Currently, the terms of the Section 75 Agreement require underspends to be ringfenced to the Healthy Child Programme. This provision is restrictive; at odds with the terms of the Delegation & Partnering Agreement with PCC; and does not incentivise the providers to plan ahead to avoid underspending. It also reduces the flexibility of the Public Health Directorate who may wish to use underspends on the HCP contract to offset overspends elsewhere in the directorate.

2.2 The opinion given for compliance is *Moderate*. This reflects the management of the Section 75 Agreement in practice and the implementation of key controls outlined in the agreement. It is recognised that contract management and the normal operation of the HCP contract has been significantly disrupted by the Covid-19 pandemic, and the service is now in the process of re-implementing some major controls which were paused during the pandemic, such as the incentive scheme and Annual Development Plan. Regular reporting and meetings with providers have taken place throughout the acute phase of the pandemic, and business continuity arrangements were agreed to refocus provider resource onto the most high-priority areas for delivery.

2.3 The Public Health service has not implemented some key elements of the Section 75 Agreement which should drive value for money, such as its provisions around open-book reporting and an annual reconciliation. Equally, the lack of a clear agreed pricing structure and detail on allowable costs mean that even if

these controls were implemented, there is only limited potential for them to enhance the service's value for money and ensure that payments made under the contract are not cross-subsidising other elements of provider organisations.

2.4 The review identified some areas where the Council does not currently receive a routine annual or other regular assurance over key risk areas, such as provider compliance with the NHS Data Security Toolkit. The service would also benefit from more developed risk management processes which should cascade between the service and providers.

Adequacy of System	Limited
Compliance	Moderate
Organisational Impact of findings	Minor

AUDIT COMMITTEE	AGENDA ITEM No. 7
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

NATIONAL FRAUD INITIATIVE 2022 / 2023

RECOMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note the mandatory data matching exercise planned for 2022 / 2023 and the implications on resources 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee to set out how the Council will look to tackle fraud and error as part of mandatory exercises from central government.

2. PURPOSE AND REASON FOR REPORT

2.1 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.18

“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 Background

- 4.1.1 Public bodies spend billions of pounds of taxpayers' money providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 4.1.2 Fraud does not recognise organisational or geographic boundaries. Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete datasets and therefore can limit gaps available to fraudsters to manipulate and help identify those that have. It also helps bodies to identify process improvements that can reduce future errors and the costs of correcting these errors.
- 4.1.3 The National Fraud Initiative (NFI) is an exercise which brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of Part 6 of the Local Audit and Accountability Act 2014 and the output has been used to help assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice.
- 4.1.4 The Council is required by law to participate in the NFI by providing a range of datasets for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment, and error. The main NFI data matching is undertaken every 2 years, the results of these matches is fed into a national report at the end of each cycle.
- 4.1.5 The transfer of several investigators to the Single Fraud Investigation Service in December 2014 had an impact on the delivery of undertaking matches with the works having to be subsumed into Internal Audit schedules.
- 4.1.6 This document aims to define the key roles, responsibilities, and expectations from for all stakeholders involved with the NFI exercise to ensure that fair processing compliance is maintained, mandatory data sets are correctly provided, and investigations are undertaken as necessary, based on the associated risks.

4.2 National Fraud Initiative 2022 / 2023

- 4.2.1 The proposed work programme (key dates) and the fees are set out below.

ACTIVITY	TIMELINE
NFI 2022 / 2023 work programme and scale of fees consultation begins	21 April 2022
Consultation ends	19 May 2022

Publication of the final NFI 2022 / 2023 work programme and scale of fees	By 29 July 2022
Issue NFI final data specifications	By 29 July 2022
Issue the instructions to bodies participating in NFI 2022 / 2023	By 29 July 2022
Extract data from systems in accordance with the data specifications and upload data to the NFI web application	Between 7 October 2022 and 18 November 2022
Cut off for NFI 2022 / 2023 data submissions	2 December 2022
The 2022 / 2023 exercise matches are available	From 26 January 2023

4.2.2 The proposed scale of fees for Peterborough City Council is set at **£3,820**. This represents a small reduction from the previous exercise (£3,900) due to the removal of social care datasets. (This reflects the effect of changes made to the National Health Service Act 2006, which reclassified this type of data as 'patient data'. It was concluded that while the NFI can match patient data on a mandatory basis, it can only disclose data matching results to a relevant NHS body. As local authorities are not relevant NHS bodies as defined in Schedule 9 of the LAAA 2014, the legislation would not permit the release of any social care data matches to local authorities).

4.2.3 The following datasets are expected to be provided in line with submission deadlines (subject to confirmation in the summer):

- Blue badges;
- Concessionary travel permits;
- Council Tax reduction scheme;
- Covid-19 grants and payments data;
- Housing benefits (data will be provided by DWP (Department for Work and Pensions));
- Housing tenants;
- Housing waiting list;
- Payroll;
- Pensions;
- Residents parking permits;
- Right to buy;
- Students eligible for a loan (Student Loans Company);
- Taxi driver licences;
- Trade creditors (payments history); and
- Trade creditors (standing data)

4.2.4 It should be noted that not all the mandatory datasets are held by PCC. Furthermore, there are number of datasets which are submitted annually (in December) which focuses on single person discounts, these being:

- Council Tax; and
- Electoral Register

- 4.2.5 Each dataset has specific fields which should be extracted from the various systems. The majority of these should be standard references which the Council is maintaining. Each data matching exercise usually has several additional fields requested to increase the potential quality of any subsequent match, although these may not necessarily be information which the Council routinely holds. The detection of errors can help to identify areas for improvement (e.g. data quality) and will increase the efficiency of the organisation (e.g., minimising financial risk).
- 4.2.6 The following datasets have been withdrawn from previous exercises based on the limited financial returns obtained nationally:
- Insurance Claims;
 - Market Traders; and
 - Personal Alcohol Licences
- 4.2.7 Throughout the exercise, any identified errors will be reported back to departments to improve the data quality going forward. The Code of Data Matching Practice requires that NFI will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud does the data become a mandatory requirement. No new datasets have been identified at present for this cycle.

4.3 **Delivering to Timelines and Investigating Errors**

- 4.3.1 Timelines for the delivery of the exercise are set out above. Each service area should assess, and report to Internal Audit, the risks that they may encounter to the achievement of this; the impact will be assessed and reported to the S.151 Officer if necessary. Any gaps in the process will be reported by Internal Audit to the S.151 Officer for information / action and will subsequently be referred to Audit Committee.
- 4.3.2 The NFI Key Contact will monitor performance in relation to the review and investigation of the data matching reports and provide appropriate feedback to managers and the S.151 Officer. Should matters be referred to Departments, all Heads of Service must establish appropriate arrangements for managing matched data investigations and NFI recording and reporting in their area.
- 4.3.3 Key responsibilities are set out in **Appendix A**. NFI progress will be reported by Internal Audit to the Corporate Leadership Team (CLT) and to Audit Committee.

4.4 **Guidance and Investigation**

- 4.4.1 Standards and guidance used are detailed on the government website [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). In addition, there is a separate email address which can be used for queries nfiqueries@cabinetoffice.gov.uk.
- 4.4.2 Internal Audit will need to review fair processing notices to be used prior to the referral to claimants, staff, customers etc. in order that they meet latest standards. Similarly, discussions will be held with Information Governance. Internal Audit will support dataset leads to ensure that specifications are met, and downloads are submitted on a timely basis. Quality checks will be undertaken by Internal Audit prior to submission and any data quality issues established will be referred to departments for amendment etc. (dependent on timelines, this could

well be after the data is submitted). Internal Audit will lead on the upload of data to the secure website in line with the agreed data sharing protocols.

4.4.3 Those officers identified as dataset key contacts will be offered appropriate training / advice in relation to NFI. As part of the training, it provides guidance on how to review and investigate each match. While Internal Audit will oversee the investigations there will be elements regularly referred to departments when issued are identified which will require their input. NFI matches are risk assessed within the software. Those matches identified as **RED** are seen as the best match with the highest potential risk. These should be reviewed in the first instance. Sample checks will be performed on lower categories. Should these identify issues then the sample will be extended.

4.4.4 The secure website provided by the Cabinet Office will contain sensitive data. Those officers who have access to it should use it in accordance with the Council's own Code of Conduct and ICT policies at all times.

5. CONSULTATION

5.1 The review has been circulated to the Director of Resources and s.151 Officer for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 The report sets out the approach to tackling anomalies within the various datasets held by the Council. The outcomes will see improved data held in relation to its customers and will potentially reduce the levels of fraud and error.

7. REASON FOR THE RECOMMENDATION

7.1 To provide Members with an overview of the requirements to meet external requirements for the protection of the public purse.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

9.1 The cost of providing the data to the Cabinet Office are detailed in the report. Further costs incurred relate to officer time downloading the various datasets, verifying the integrity and quality of that data, and following its submission the costs associated with investigating and correcting fraud and errors.

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.

Appendices

A: Key Responsibilities

APPENDIX A

TITLE	ROLES AND RESPONSIBILITIES
Senior Responsible Officer: Director of Resources and s151 Officer	Ensure statutory requirements are met, including nominate a key contact Ensure key contact has access via the secure NFI software Ensure key contact fulfils all data protection requirements
NFI Key Contact: Chief Internal Auditor	Provide guidance on the data formats and data specifications Oversee the upload of data via the secure website Monitor progress against NFI matching reports Provide feedback on the outcomes of the exercise Report to s151 Officer any deficiencies in the NFI process Report to CLT / Audit Committee progress against the NFI
Dataset Key Contacts	Ensure fair processing notices have been used Data is downloaded in accordance with specification and provided to Internal Audit for upload Identified resources for future investigation of any matches received (if outside of Internal Audit) Provide quarterly updates to Key Contact on progress (if works undertaken outside of Internal Audit)
Internal Audit	Upload data via the secure website Identify resources for future investigation of any matches received / liaise with key contacts on progress Report on data quality issues
Assistant Director of Human Resources	To progress any action in relation to staff implications in fraud and corruption matters
Cabinet Member for Finance and Corporate Governance	Responsibility for overseeing the management of resources
Audit Committee	Oversee the delivery of effective arrangements for the governance across the Council through monitoring works of the Committee.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

RISK MANAGEMENT FRAMEWORK

RECOMMENDATIONS	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <p>1. Note and approve the Council's Risk Management Policy.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a scheduled report on delivering risk management to Peterborough City Council. It is in line with the established Work Programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to inform Audit Committee about updates to the Council's Risk Management Policy. The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following

2.2.1.18: To monitor the effective development and operation of risk management and corporate governance in the Council.

3. TIMESCALE

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

4.1 The Council recognises that there are risks in everything it does and has a duty to manage these risks in a balanced, structured and cost-effective way. Approval and publication of the Risk Management Policy and Framework demonstrates this intention.

4.2 The document should be:

- Fully supported by Members, the Chief Executive and the Corporate Leadership Team who are accountable for effective risk management within the Council;
- Able to explain the Council's underlying approach to risk management, documenting the roles and responsibilities of Members, officers and other key parties for the ongoing management of risk; as well as explaining key aspects of the Council's risk management process; and
- Demonstrating how it forms part of the Council's overall internal control and governance arrangements.

4.3 The updated Policy and Framework had been amended to include the following new areas of guidance:

- Revised responsibilities for Members and officers; and
- How risks are evaluated and recorded through the software used (Power-BI)

4.4 The risk appetite established is uniform for the Council and it may be worth consideration as to whether this should vary by department or by the Councils priorities and the social, economic, political and regulatory environment it operates in.

4.5 The above changes aim to ensure that the existing risk management arrangements continue to be robust, proportionate and the most appropriate for the Council.

5. **CONSULTATION**

This report has been issued to the Corporate Director of Resources for consideration.

6. **ANTICIPATED OUTCOMES OR IMPACT**

That the Audit Committee is informed of the proactive measures taken across the Council to manage risk to reduce the impact from a financial and reputational perspective.

7. **REASON FOR THE RECOMMENDATION**

The amendments clarify policy, provide sufficient guidance and inform officers and Members of their roles in relation to the management of risk. Risk management contributes to the Councils priorities by providing a framework whereby risks to the achievement of objectives are efficiently managed and mitigated against, thereby increasing the likelihood that those objectives are achieved.

8. **ALTERNATIVE OPTIONS CONSIDERED**

The option is not to present a report on the insurance function and the activities undertaken. This is not in line with open and transparent corporate governance and could result in a lack of awareness.

9. **IMPLICATIONS**

Financial Implications

There are no direct financial implications as a result of this report, but the agreed framework will guide officers on treatment of risk.

10. **BACKGROUND DOCUMENTS**

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

None

11. APPENDICES

Appendix A: Risk Policy and Framework

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Risk Management Policy and Framework

Peterborough City Council

RISK MANAGEMENT POLICY

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RISK MANAGEMENT POLICY

Change Control

Version	Issue Date	Change Description	Author
0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
0.4	10 June 2013	Revisions following discussions with C Exec & Operations director	Kevin Dawson
0.5	20 May 2014	Revisions following Zurich review	Kevin Dawson
0.6	30 Dec 2014	Revisions to incorporate PCC annual statement of risk appetite	Kevin Dawson
0.7	31 March 2015	Risk Appetite statement added as Appendix D.	Kevin Dawson
0.8	2 Sept 2015	Risk appetite statement following review of Corporate Risk Register	Kevin Dawson
0.9	1 Nov 2017	Escalation of risk & risk appetite statement	Kevin Dawson
1.0	6 March 2018	Risk Group changed to Risk Management Board	Helena Hansen-Fure
1.1	7 August 2019	Amendments to Organisation Risk Management Arrangements; PCC Risk Management Process; Example Risk Register; Example Risk Analytics; Likelihood and Impact Descriptors	Kat Wagner
1.2	June 2022	Re-write to reflect new arrangements of Risk Board and change in recording / reporting	Steve Crabtree

Version Control

No.	Submission Date	Submitted to	Approval
1.0	November 2012	CMT	Not signed off
2.0	June 2013	CMT	July 2013
3.0	May 2014	CMT	May 2014
4.0	March 2015	CMT	March 2015
5.0	March 2018	CMT	March 2018
6.0	August 2019	CMT / Audit Committee	September 2019
7.0	July 2022	Audit Committee	July 2022

Introduction

To achieve the ambitions, outcomes and priorities determined by the Council, it is essential that it continues to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control – for example global events such as the pandemic or austerity. More localised incidents can impact on residents, individuals, services or the infrastructure. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. 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.

Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are acceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.

The Council is accountable to the public for its performance and financial management. This means that the Council has a low appetite for risk, however this will need to change in order to take careful consideration of risk to develop new and innovative ways to deliver services, support communities and ensure the long term financial stability of the Council is not impaired by short term decisions. This makes good risk management essential.

Definition of Risk Management

Risk is the chance of possibility of loss, damage, injury or failure to achieve objective caused by an unwanted or uncertain action or event. Risk management is a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the assets or financial and organisational well-being of the Council.

Policy Statement

PCC recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its vision.

The Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focused approach to risk management.

Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of the Councils overall framework to deliver continuous improvement.

Vision

PCC is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives. The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

- Better **communication** vertically about key issues, early and often, and horizontally, learning lessons and reducing duplication of effort;
- **Consensus** about the main risks in different parts of the organisation;
- **Confidence** that the key risks are recognised and are being managed, both by the Council and its partners;
- **Clarity** and focus: directing resources to risks that matter away from risks that don't, and fewer surprises; and
- **Taking more risks and exploiting opportunities**, because they are understood and managed.

Principles

The Council's approach to risk management is built on the following principles:

- The political leadership and senior management of the Council are **committed** to effective risk management;
- Risk management operates within a culture of **transparency** and **openness**; we encourage risks to be raised and escalated as appropriate;
- Risk management arrangements are **dynamic**, flexible and responsive to developments;
- The process of risk management is simply a means to ensure appropriate action to take opportunities and mitigate risks;
- The risk management process must be consistent, clear and straightforward and result in timely information that helps informed decision making;
- Risk management is **integrated** with other key business processes such as planning, decision making, performance management and programme management;
- Risk management has links to many other management disciplines and we encourage sharing of information and joint working as necessary; and
- The risk management approach is also beneficial in managing any risks associated with the delivery of opportunities.

Responsibility for Risk Management

The Council recognises that it is the responsibility of all Members and employees to have regard to risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision, and to meet the Council's objectives and community needs.

The Corporate Leadership Team and Service Managers have responsibility and accountability for managing the risks within their own work areas. Employees have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own areas of activities. The cooperation and commitment of all employees is required to ensure the Council's resources are not squandered as a result of uncontrolled risk. Table 1 sets out those responsibilities.

RISK MANAGEMENT POLICY

Table 1: Risk Management Responsibilities	
Element	Expectation
Cabinet	<p>Consider risk in its strategic planning decisions</p> <p>Set the overall risk appetite for the organisation</p> <p>Monitor performance of management in mitigating strategic risks</p>
Lead Member for Risk Management (Part of remit of Cabinet Member for Finance and Corporate Governance)	Champion the operation of effective risk management operations
Audit Committee Scrutiny Committees	Hold Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Leadership Team (CLT)	<p>Own and lead the corporate risk management process</p> <p>Own, review and challenge the strategic risk register</p> <p>Receive urgent risk reports as necessary</p>
Risk Management Board	<p>Engage in bi-monthly monitoring and discussion of BAU risk, new operational risk and issues within departments</p> <p>Consider the success of mitigating strategies</p> <p>Establish trends for risks and any financial implications</p> <p>Discuss the overall level of threat, and items for escalation</p> <p>Coordinate risks in relation to cross-departmental dependencies / cross-overs</p> <p>Identify key items for escalation to CLT</p>
Lead Director for Risk Management (Director of Resources and s151 Officer)	<p>Act as the sponsor of risk management on behalf of CLT</p> <p>Chair the Corporate Risk Board meeting</p>
Departmental Risk Coordinator	<p>Act as a champion / coordinator for risk management within their department</p> <p>Regularly table departmental register at DMT for discussion / refresh</p> <p>Attend Risk Management Risk Board to report on the key risk items, details of items to be escalated and update mitigation</p> <p>Use Power-BI to maintain departmental risk register</p>
Project Management Office (PMO)	<p>Ensure that a unified and consistent approach to Project and Programme risk management covering the identification, recording, monitoring and mitigation of risks</p> <p>Support in the identification of cross-programme risks (and trends) which may become corporate risks</p>
Support for PMO	ICT support of Power-BI

RISK MANAGEMENT POLICY

Table 1: Risk Management Responsibilities	
Element	Expectation
Project Owners Risk Owners	Recording of all projects and associated risks on Power-BI Accountable for determining and implementing the action required to manage risks and opportunities Refresh risks in conjunction with DMT / Risk Coordinator
Heads of Service Managers	Alert to risks arising from BAU and manage and escalate these as necessary
Chief Internal Auditor	Current lead officer on development of risk management
Internal Audit	Routine overview of risk management arrangements through all audit activities

Framework

The Council's Risk Management Process is described below and shown in the diagram in **Appendix A**. The framework sets out the overall arrangements for the operation of risk management at PCC; it therefore encapsulates the risk strategy of the organisation.

The Council is working towards greater synergy between risk, project, programme, planning and performance management arrangements to assess performance in terms of its compliance with the organisations risk appetite. It also forms the cornerstone of monitoring and control of delivering on the Councils Improvement Plans.

Internal Audit provide assurance on the adequacy of all risk management arrangements through regular reviews and will then report into the Audit Committee. Audit Committee will also consider deep dive reviews into departmental risks.

It should be noted that some risks are outside of the authority's control; this is especially true for Local Government where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimize / plan for any impact

Risk Appetite

Definition

- There are numerous definitions of organisational 'risk appetite', but they all breakdown to how much of what sort of risk an organisation is willing to take. Risks need to be considered in terms of both opportunities and threats and are not usually confined to money - they will invariably also impact on the capability of your organisation, its performance and its reputation.
- For the purposes of this document the follow definition will be used to define risk appetite:

"The amount of risk that an organisation [the council] is prepared to accept, tolerate or be exposed to at any point in time".

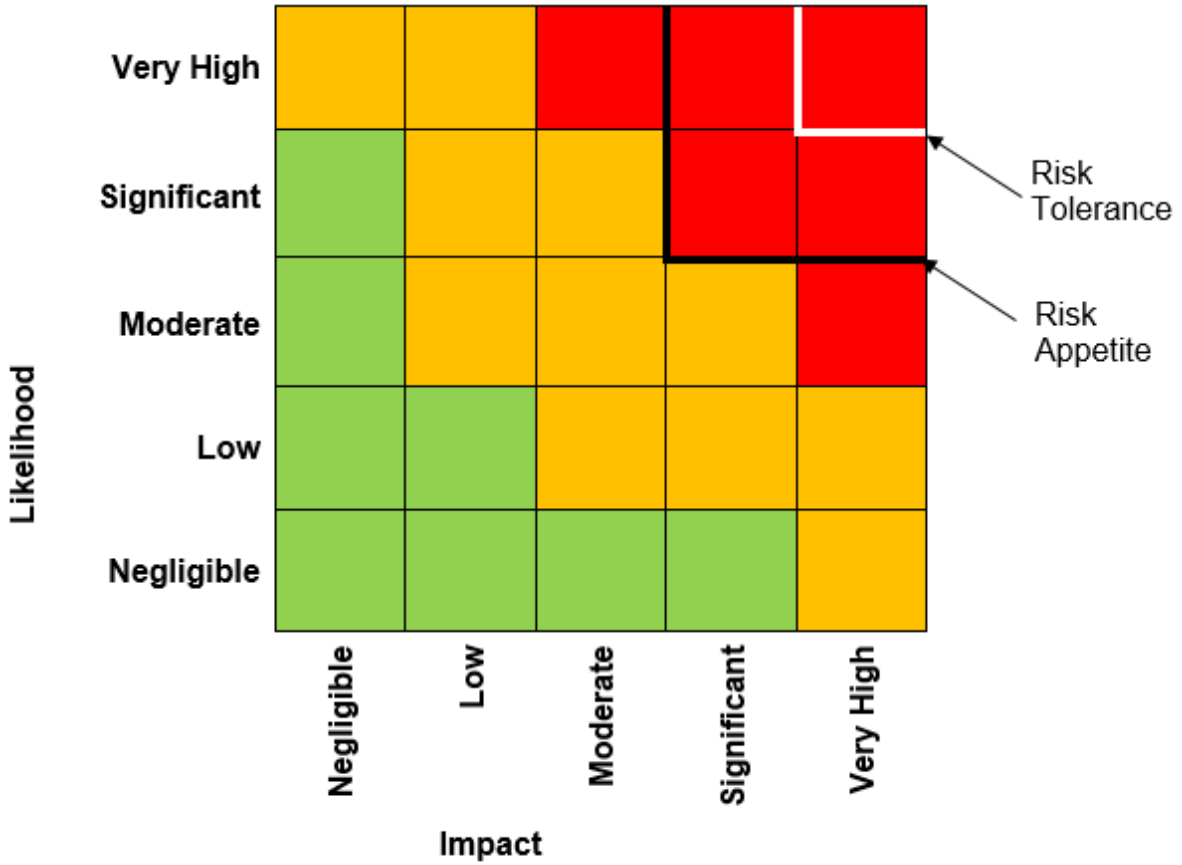
Source: British Standard on Risk Management BS31100 2008.

Matrix

- The following matrix shows the risk appetite and the risk tolerance for PCC. Scores are based upon a 5 x 5 matrix as determined below. **The appetite was last determined by Cabinet with a score of 15.**
- The thick black line represents the risk appetite and any risk below this line are deemed acceptable i.e. tolerate – but will still be regularly reviewed in case their position worsens.
- Scores above that, i.e. 16 and above we would seek to closer monitor and look to treat, terminate or transfer. Risks which fall above the risk tolerance line need key mitigation plans put in place to reduce their unacceptable level. Should these fail then consideration needs to be given to termination or transfer the Council's involvement in these risks.
- Where there are extreme risks (i.e. a score of 25), these risks fall above the risk tolerance line and need key mitigation plans put in place to reduce their unacceptable level. Should these fail then consideration needs to be given to termination or transfer the Council's involvement in these risks.

RISK MANAGEMENT POLICY

- There are certain risks however which may be forced upon PCC and therefore cannot use internal controls to manage the risk so these will have to be tolerated. An example of this would be changes in the socio-economic political environment. However, contingency plans and strategies should still be developed and introduced in a bid to lessen the impact.



APPENDIX A: Risk Management Process

Risk Management

The Approach



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RISK MANAGEMENT POLICY

RISK MANAGEMENT PROCESS		
	Business As Usual / Projects	Sources
IDENTIFY RISKS Risk and Issues Assessment	Heads of Service and Managers alert to risks and issues from business activity Department appoint risk coordinator	Managers DMT Projects Teams
ANALYSIS RISKS Data Gathering and Analysis	Risks are captured within timescales and recorded within the system Risks are classified as strategic or operational	Risk Coordinator POWER-BI
EVALAUTE RISKS Risk Scrutiny	Risks are discussed at individual DMTs Risks are reported through to bi-monthly Risk Management Board meetings using Power-BI Significant changes are escalated to Corporate Leadership Team	Risk Management Board Corporate Leadership Team
TREAT RISKS Corporate Decision Making	Corporate Leadership Team review strategic register as part of monthly CLT Performance Meetings Appropriate reports are provided to Audit Committee and Scrutiny Committees as appropriate	Corporate Leadership Team Audit Committee Scrutiny Cabinet Improvement Panel
This is a cyclical process, it never stops		

APPENDIX B: Capturing / Recording Risks

A standard report template is set up within Power-BI (NB: A user licence is required to access).

Field Name	Description																							
Project Name	This represents the departmental risk log narrative.																							
Title	A short description of the risk																							
Council	Some risks are not just relevant to PCC, they could also cover County e.g. a shared service. This captures who it applies to																							
Owner	An officer needs to be identified who will oversee the risk																							
Description	<p>Full description of the risk. This should spell out why it is a risk, its cause and the consequences.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td rowspan="3" style="background-color: #ffcc00;">DUE TO</td> <td style="background-color: #ffcc00;">Risk of...</td> <td style="background-color: #ffcc00;">Failure to / of...</td> <td style="background-color: #ffcc00;">Lack of...</td> <td style="background-color: #ffcc00;">Development of..</td> </tr> <tr> <td style="background-color: #ffcc00;">Loss of...</td> <td style="background-color: #ffcc00;">Uncertainty of...</td> <td style="background-color: #ffcc00;">Delay in...</td> <td style="background-color: #ffcc00;">Opportunity to...</td> </tr> <tr> <td style="background-color: #ffcc00;">Inability to...</td> <td style="background-color: #ffcc00;">Inadequate...</td> <td style="background-color: #ffcc00;">Partnership with...</td> <td style="background-color: #ffcc00;">Damage to...</td> </tr> <tr> <td style="background-color: #ffff00;">CAUSES</td> <td style="background-color: #ffff00;">Due to...because..</td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> <td style="background-color: #ffff00;"></td> </tr> <tr> <td style="background-color: #ffcc00;">CONSEQUENCES</td> <td style="background-color: #ffcc00;">...Leads to...</td> <td style="background-color: #ffcc00;">...Results in...</td> <td style="background-color: #ffcc00;"></td> <td style="background-color: #ffcc00;"></td> </tr> </table>	DUE TO	Risk of...	Failure to / of...	Lack of...	Development of..	Loss of...	Uncertainty of...	Delay in...	Opportunity to...	Inability to...	Inadequate...	Partnership with...	Damage to...	CAUSES	Due to...because..				CONSEQUENCES	...Leads to...	...Results in...		
DUE TO	Risk of...		Failure to / of...	Lack of...	Development of..																			
	Loss of...		Uncertainty of...	Delay in...	Opportunity to...																			
	Inability to...	Inadequate...	Partnership with...	Damage to...																				
CAUSES	Due to...because..																							
CONSEQUENCES	...Leads to...	...Results in...																						
Mitigation Plan	This sets out what is being put in place to manage the risk. This should clearly set out any details and timelines needed to manage the risk																							
Start Date	The date the risk became active																							

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RISK MANAGEMENT POLICY

Due Date	This would normally represent the date when the risk would be fully mitigated. However, it should be as a minimum the date next to be reviewed.
Update	The opportunity for DMT / risk owners to set out progress in mitigating the risk
Corporate Risk	There is the ability for departmental risks to be flagged up / identified as corporate risks. "FALSE" is a departmental risk. "TRUE" represents a corporate risk
Risk RAG	Using the scoring matrix for each risk (5 x 5), the risk is classed as "GREEN", "AMBER" or "RED".
Category	<p>This set out the risk category to which it relates.</p> <ul style="list-style-type: none"> • Benefits • Compliance • Customer • Environmental • Financial • Legal • Operational • Resource • Strategy • Technical • Timescale
Exposure	This should set out the value to which the Council(s) could be exposed should the risk occur
Risk Trend	As part of the regular monitoring of risks, the owner should be able to demonstrate progress. This is categorised as "INCREASING" "STEADY" "DECREASING"

APPENDIX C: Glossary of Terms

Term	Definition	
BAU	Business as usual. Normal activities undertaken by the Council.	
Power-BI	The software solution which stores the risk registers	
Risk Definitions	Corporate / Strategic Risk	Risks that could influence the successful achievement of the Councils long term core purpose, priorities and outcomes. These are: <ul style="list-style-type: none"> • risks that could potentially have a council wide impact and / or • risks that cannot be managed solely at a departmental level because higher level support / intervention is needed
	Departmental Risk	Risks at department level that could have an effect on the successful achievement of its outcomes / objectives. Potentially these risks could have a significant financial, reputational and / or service delivery impact on the department as a whole
	BAU risk	Risks that impact on day-to-day operations. These could also cover contract, project and partnership risks <ul style="list-style-type: none"> • Contract risk. Risks that could have an effect on the successful achievement of the contracts outcomes / objectives in terms of delivery, outcomes and value for money. (These should be managed through the contracting processes including contract management / BAU • Programme / Project risk. Risks that could have an effect on the successful achievement of the project outcomes / objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users / third parties / partners) • Partnership risk. Risks that could have an effect on the successful achievement of the partnership's outcomes / objectives including engagement with key stakeholders (service users, third parties, partners). These can be strategic and / or operational depending on the size and purpose of the partnership

RISK MANAGEMENT POLICY

Risk Response category	Tolerate	A decision is taken to accept the risk. Management and / or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more. No further action
	Transfer	Transfer all or part of the risk through insurance or to a third party e.g. contractor or partner, who is better able to manage the risk. Although responsibility can be transferred, in most cases accountability remains with the Council, so this still needs to be monitored
	Treat	Mitigate the risk to reduce its impact
	Terminate	A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently which could result in stopping the activity

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AUDIT COMMITTEE	AGENDA ITEM No. 9
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

RECOMENDATIONS	
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 the response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee overall meets the good practice statements. 	

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 Provide Members with details of an internal assessment against good practice for the effectiveness of audit committees.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.18

“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 As part of the Accounts and Audit Regulations 2015, there is an expectation to review the effectiveness of internal systems, including the effectiveness of any Audit Committee established.

4.1.2 Members previously considered a report in July 2021 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 and reflects the changes made in year to appoint co-opted Members.

4.2 **CIPFA GUIDANCE ON AUDIT COMMITTEES**

4.2.1 CIPFA published "*Audit Committees - Practical Guidance for Local Authorities and Police*" in 2018. 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*". Further information has been provided by CIPFA as an update "*Helping Audit Committee to be Effective*" issued in July 2021 and the government response and recommendations issued in relation to the Redmond Review.

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 A**. Officers have completed the checklist, which concludes that the Audit Committee demonstrates that it is meeting good practice in terms of the checklist.

Nevertheless, Members may wish to consider the responses given to ensure they accurately reflect their views and agree appropriate actions for those areas they consider should be amended / enhanced such as around the actual effectiveness of the scrutiny and challenge.

5. CONSULTATION

5.1 The review has been circulated to the Director of Resources and s151 Officer 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 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: Compliance Self-Assessment

Issue / Evidence / Suggested Improvement	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>The Terms of Reference is based on that set out within the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance.</p> <p>The Terms of Reference are regularly reviewed and is up to date (as at May 2022) with approval through Full Council as appropriate when Constitution amendments are made. The document refers to the Statement of Internal Control and this should be amended to reflect that this has been replaced by the Annual Governance Statement.</p> <p><i>It is noted that there has been a request made for the Committee to review this during 2022 to ensure that it reflects future work arrangements within the committee as it develops following the appointment of 3 independent co-opted members.</i></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 is that which is set out as best practice within the CIPFA guidance. This full 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; and anti-fraud measures) • Accounting (scrutiny of the statement of accounts and the associated policies; and the external auditors report into those accounts) <p>The ToR have been further developed to reflect the introduction of independent co-opted members from February 2022.</p>	✓
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>The last full update of the ToR for Audit Committee was in May 2022 which was agreed at Full Council.</p> <p>The main ToR remains as per best practice.</p> <p>The Committee are scheduled to review the ToR later within the year.</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 are agreed each year at Council when establishing make up of each Committee. At the start of 2021/22 this represented 7 Members.</p> <p>Following external reviews into the Councils governance arrangements it was recommended that the Committee should be enhanced with additional co-opted independent members. Following external</p>	✓

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	<p>advertising, this resulted in 3 co-opted independent members joining from the February 2022 meeting. Having independent members on the Audit Committee reflects good practice and pre-empts the Government's response to the Redmond Review in making this a requirement. One of the independent members is now chairing the committee and has received LGA Audit Chairing intensive training.</p> <p>Training is provided to all members, linked to the agenda items, and this is scheduled to increase throughout 2022 to reflect changes to agendas. To tie in with the first meeting each municipal year, this includes an overview of the workings of the Committee for all Members. This is to provide initial support for new representatives. This was provided in June 2021 and again in June 2022 by CIPFA.</p> <p>Additional coverage is provided at this time in relation to the closure of the accounts and how these should be scrutinised and challenged. Previous training has been provided to cover risk management, Regulation of Investigative Powers Act 2000 (RIPA) and the differences between internal audit and external audit.</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 (except for those co-opted) 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. The latest version was submitted to Audit Committee in March 2022 and then will go on to Full Council in July 2022.</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 scrutiny committee.</p> <p>With the creation of the Shareholder Cabinet Sub-Committee, there will be several 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>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>This current effectiveness review has been completed by the CIA (based on the CIPFA checklist) and has been completed annually.</p> <p>External assessments took place as part of wider governance assurance reviews in autumn 2021 which led to the introduction of independent members onto the committee and an enhanced training offer.</p> <p>This committee report provides an opportunity for further challenge and assessment by the Committee.</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>An annual report is produced each year by Democratic Services (based on a standard template) in March.</p> <p>This is referred to Full Council following consideration / agreement at Audit Committee.</p>	✓	

	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 reviews each year (May). Full Council approval required (based on political proportionality) Quorum level set at 4 (based on current level of 7) which does not include those co-opted.		
1.2.2	Is the chair independent of the executive function?	✓	
	The Chair changed in year from an elected Councillor to an independent co-opted Member. The initial Chair was independent of Cabinet. The current Chair is an independent co-opted member.		
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 on a rolling programme. This has included final accounts; risk management; role of members on the audit committee; governance arrangements; financial and contract rules; and standards. A new cycle of training commenced in June 2022. The new co-opted Chair has wide experience in the financial sector as well as of audit work and Audit Committees. He received intensive Audit Chair training from the LGA prior to commencing in post.		
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. Initial oversight of the workings of the committee have been provided in June each year following confirmation of Members.		
1.2.5	Have all members' skills and experiences been assessed, and training given for identified gaps?	✓ Part	
	A training needs/skills gap analysis was carried out by Democratic Services/CIPFA in January 2022 to help inform the training and support programme for members. Training in recent times 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 		
1.2.6	Has each member declared his or her business interests?	✓	
	Member interests are recorded on individual registers of interest and published on the Council website in accordance with the scheme's requirements. During 2021 / 2022 meetings, no declarations have been made before (or during) Audit Committees.		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
1.2.7	<p>Are members sufficiently independent of the other key committees of the council?</p> <p>No members on Audit Committee are on Cabinet although a Cabinet Advisor is now a member of the Committee – having sought advice from the Monitoring Officer and considered the guidance it was considered that this was satisfactory as it was balanced by the presence of three independent co-opted members.</p> <p>The Cabinet Member for Finance (now Finance and Corporate Governance) has attended Audit Committee in an observation capacity, although they do contribute to items if required. (They do not have voting rights in line with the Constitution).</p> <p>All Members are on separate Committees</p>	✓	
1.3	MEETINGS		
1.3.1	<p>Does the Audit Committee meet regularly?</p> <p>Set timetable agreed each year / with prescribed timings for the key reports. For example.</p> <ul style="list-style-type: none"> • June (out turn on budgets) • 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) <p>Other activities programmed throughout year cover fraud, information governance, use of RIPA and approvals of write offs exceeding £10,000.</p> <p>Further changes are set out in future work programmes for the Committee which include deep dives into contracts and procurement.</p>	✓	
1.3.2	<p>Do the terms of reference set out the frequency of meetings?</p> <p>Work programme identified each year sets out the key activities and timelines for delivery – but this is not set out within the ToR, it is determined and agreed at Full Council.</p>		✓
1.3.3	<p>Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?</p> <p>Work Programme produced complies with statutory dates for reporting e.g., financial accounts</p>	✓	
1.3.4	<p>Are members attending meetings on a regular basis and if not, is appropriate action taken?</p> <p>The annual report produced by Democratic Services sets out level of attendance and are documented on website against each committee agenda.</p> <p>Substitutes are available if needed to ensure quorate and offset against apologies received.</p> <p>There have been no matters arising from the need for necessary actions if members are not regularly present.</p> <p>As part of the annual report, this will also capture attendance at training sessions.</p>	✓	
1.3.5	<p>Are meetings free / open without political influences being displayed?</p> <p>While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines.</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	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?	✓	
	The Director of Resources and S.151 Officer is 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: <ul style="list-style-type: none"> • A permanent clerk from Democratic Services; • Director of Resources and s151 Officer; • Chief Internal Auditor; • Director of Legal and Governance and Monitoring Officer Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	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?	✓	
	An annual report is 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 occasional training sessions. All committee reports provide full details / background information 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 is within the Internal Audit progress reports to committee and the annual opinion. 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 2022. 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.		
2.8	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	<p>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.</p> <p>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.</p>		
2.9	<p>Does the Audit Committee review the authority's strategic risk register at least annually?</p> <p>The risk register issued to Audit Committee as a high-level document, usually every 6 months, subject to review being undertaken by CLT (Corporate Leadership Team).</p> <p>Risk management processes and a meaningful dialogue is in place with Members to ensure challenge / buy in. Management of risk is currently within the remit of the Chief Internal Auditor and is declared within the Audit Plan. It is subject to review.</p>	✓	
2.10	<p>Does the Audit Committee monitor how the authority assesses its risk?</p> <p>Risks are reported to committee and actions taken to mitigate are challenged.</p> <p>Suggestions are made for areas that should be included.</p>	✓	
2.11	<p>Do the Audit Committee's terms of reference include oversight of the risk management process?</p> <p>Yes</p>	✓	
3...FINANCIAL REPORTING AND REGULATORY MATTERS			
3.1	<p>Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?</p> <p>Defined within ToR in line with best practice</p>	✓	
3.2	<p>Does the audit committee consider specifically:</p> <p>The suitability of accounting policies and treatments</p> <p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p> <p>Major judgements made</p> <p>Commentary is included in the final account statements and are reviewed by members and External Audit.</p> <p>No misstatements have been identified.</p> <p>Large write offs</p> <p>Write offs over £10,000 are a standing item on the Audit Committee agenda.</p> <p>Changes in accounting treatment</p> <p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p> <p>The reasonableness of accounting estimates / narrative aspects of reporting</p>	✓	✓

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	<p>Will be more prominent as quicker account closures introduced.</p> <p>External Audit works earlier in year to reduce the potential levels of estimates</p> <p>Accounting reports follow prescribed best practice and are reviewed by Members and External Audit</p>		
3.3	<p>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?</p>	✓	
	Covered during the July cycle (subject to accounts been able to be closed).		
3.4	<p>Does the Audit Committee review the management's letter of representation?</p>	✓	
	See 3.3 above		
3.5	<p>Does the Audit Committee annually review the accounting policies of the authority?</p>	✓	
	See 3.2 above		
3.6	<p>Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?</p>	✓	
	Annual training is provided to Audit Committee members prior to review of the statement of accounts		
3.7	<p>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?</p>	✓	
	Training is provided on key aspects of the agenda.		
4...INTERNAL AUDIT			
4.1	<p>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?</p>	✓	
	<p>Annually, March committee cycle receives:</p> <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Plan • Internal Audit Charter • Internal Audit Code of Ethics 		
4.2	<p>Does Internal Audit have an appropriate reporting line to the Audit Committee?</p>	✓	
	<p>Chief Internal Auditor 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.</p> <p>Separate briefings / meetings are held, when necessary, with Committee Members.</p>		
4.3	<p>Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit?</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	Once the audit plan is agreed there is a progress report followed by an annual report and opinion A 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?		✓
	Previous instructions did not allow for private meetings to be held and none have taken place since the Committee was created in 2006. It is now considered to be best practice and will be actioned as / when requested.		
4.6	Is there appropriate cooperation between the internal / external auditors?	✓	
	Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication.		
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. Any increase in staffing levels would be subject to appropriate approvals through recruitment panels, resources being available etc.		
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 reports submitted to Audit Committee in February 2019. The service was fully compliant. The next assessment will be due in 2023.		
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)?	✓	
	Annual report at same time as Internal Audit		
5.2	Does the Audit Committee hold periodic private discussions with the external auditor?		✓

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	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 in place for the appointment of new auditors through the PSAA (Public Sector Audit Appointments) 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) 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?	✓	
	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.		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
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 2022

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AUDIT COMMITTEE	AGENDA ITEM No. 10
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Resources and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	384557

DRAFT ANNUAL GOVERNANCE STATEMENT

RECOMMENDATIONS	
FROM : Director of Resources and s.151 Officer	Deadline date: <i>N/A</i>
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement; 2. Review and comment on the Draft Annual Governance Statement including any areas which should be considered; 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 Director of Resources and s151 Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.
- 2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following:
- 2.2.1.17: To oversee the production of the authority's Statement on Control¹ and to recommend its adoption; and
- 2.2.1.18: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

¹ The Terms of Reference within the Constitution refer to "Statement of Internal Control". This is incorrect and should be replaced by Annual Governance Statement (Council approval required).

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
---------------------------------------------	-----------	----------------------------------	--

4. **BACKGROUND**

4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2021 / 2022 reporting year. This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

4.2 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

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

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

6 **SUPPORTING EVIDENCE**

6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements. The approach adopted and assurance areas are set out in **Appendix A**. From the collated information, the draft AGS is set out in **Appendix B**, progress against previous actions are set out in **Appendix C** and finally new issues to be actioned are set out in **Appendix D**.

6.2 Internal Audit: Annual Internal Audit Opinion 2021 / 2022

6.2.1 The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention relate to audits completed which had limited assurance, these being:

- Cyber Security;
- Business Continuity;
- Programme and Project Management;
- Energy Management (Follow Up);

- Middleholme Project;
- Covid-19 P-Card Assurance; and
- Health Child Contract (CCC)

6.2.2 There are action plans to address 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.

6.3 External Audit

6.3.1 Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council.

6.3.2 Due to ongoing consultation across the sector in relation to the treatment of infrastructure assets, EY have been unable to close the accounts for 2020 / 2021. Audit Committee have been provided with regular briefings as to the status of the accounts together with any issues outstanding. Members were informed of additional works which were undertaken in relation to valuations at the last Audit Committee (June 2022).

6.4 Internal Control and Governance Self-Assessment

6.4.1 Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in May 2022 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The questionnaire was amended to include an emphasis on a number of areas which are shared with the County. The areas covered within the assessment were:

Governance Arrangements and Legal Requirements	Partnerships
Reporting Arrangements to Members	Commissioning
Code of Conduct	Business Continuity
Financial Regulations	Health and Safety / Safeguarding
Financial Planning	Equality and Diversity
Savings Targets	Risk Management (including Project Management)
Staffing	Public Health
Information Governance	Recommendations
IT Security	Covid-19
Data Quality / Performance Management	

6.4.2 Where scores were assessed as being lower or partial compliance in key control areas, separate commentary was provided as to how these could be addressed and are reflected in the AGS Action Plan.

6.5 Risk Management

- 6.5.1 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a strategic risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management is overseen through a separate Risk Management Board which has representatives of all Directorates as well as specific risk specialists such as the Insurance Manager and the Chief Internal Auditor. Meetings are approximately every 6 weeks, and it is chaired by the Director of Resources. Risks at a Directorate level are discussed and a separate report produced for discussion on a monthly basis at the Corporate Leadership Team. When appropriate separate reports and training are also provided to Audit Committee.
- 6.5.2 Key financial risks for the Council are also regularly referred across all Departments as part of the monthly monitoring arrangements for the budget enabling actions to be taken to mitigate these. Similarly, the Medium Term Financial Strategy also provides details of the various risks impacting on the balanced budget. This enables Council to understand the decisions required to agree the budget.

6.6 Corporate Governance

- 6.6.1 Regular updates on governance arrangements are reported through Corporate Leadership 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.
- 6.6.2 Significant governance issues established in the AGS are reported to Audit Committee. Similarly, while the Council does have a Local Code of Governance this is now in need of revision / refresh to remain up to date.
- 6.6.3 During the year, separate external inspections were carried out in relation to governance and a number of improvements identified. These are coordinated through the independent Improvement Panel as well as seeing enhanced membership of the Audit Committee.

6.7 Financial Controls

- 6.7.1 The Council has implemented improved arrangements for managing its finances and the delivery of and realisation of savings. This is coordinated through various working groups. Regular updates on progress are fed through to the Chief Executive, Corporate Leadership Team as well as to Resources so that can be appropriately reported within budget monitoring returns. These ultimately appear as a regular item on Cabinet agendas. As part of the changes made and greater scrutiny, financial savings generated have been achieved.

7. CONSULTATION

- 7.1 One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. The AGS has been circulated to the Corporate Leadership Team for discussion, amendment and approval and is fully reflected in the attached document.

8. ANTICIPATED OUTCOMES OR IMPACT

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

9. REASON FOR THE RECOMMENDATION

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

10. ALTERNATIVE OPTIONS CONSIDERED

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

11. IMPLICATIONS

Financial Implications

- 11.1 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.

12. BACKGROUND DOCUMENTS

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

- 12.1
- Delivering Good Governance in Local Government (CIPFA / SOLACE)
 - Accounts and Audit (England) Regulations 2015
 - Directors: Internal Control and Governance Self-Assessment templates

13. APPENDICES

A: Assurance Framework

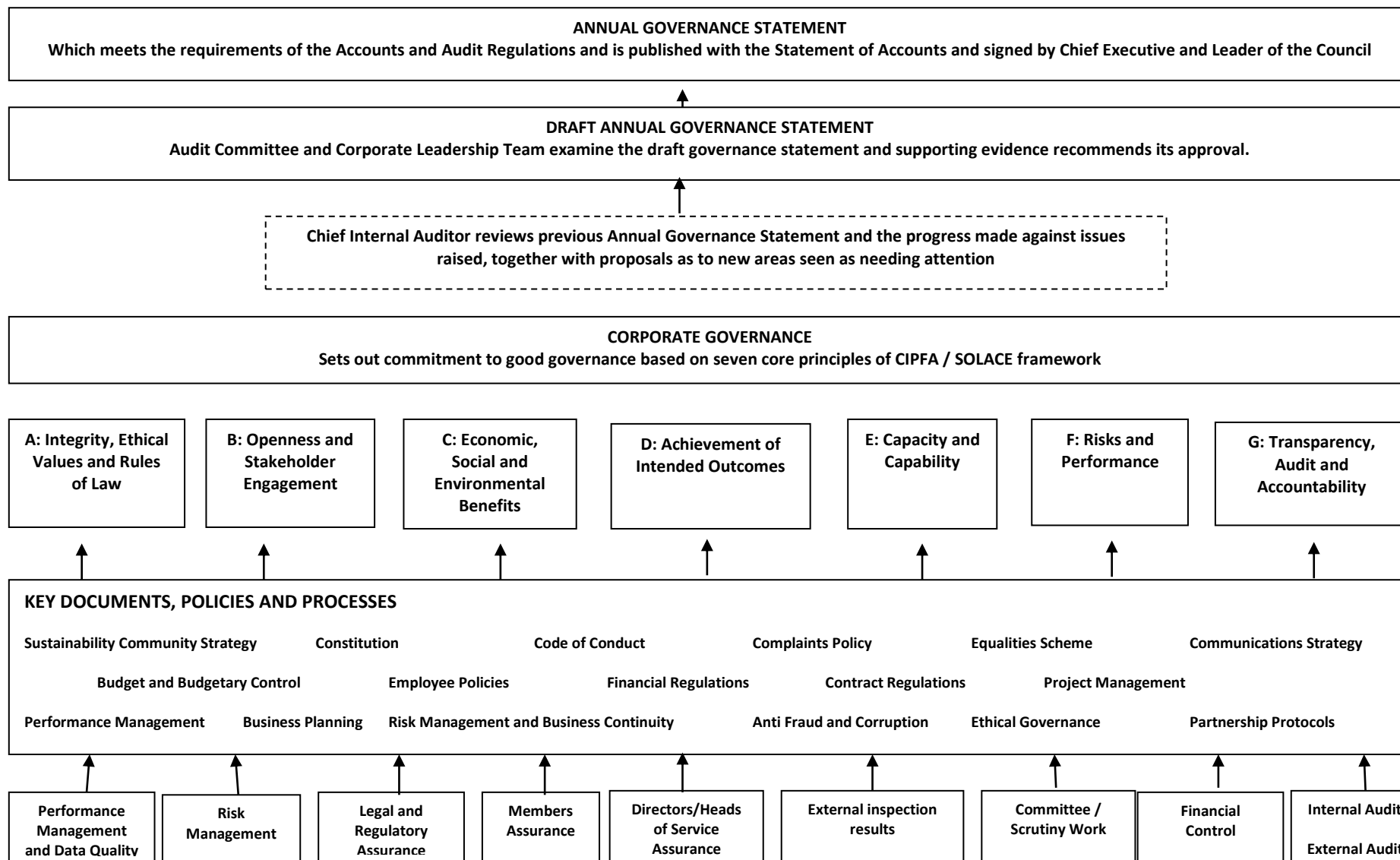
B: Draft Annual Governance Statement

C: Prior Year Actions

D: New Actions Identified

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PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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Annual Governance Statement

2021 / 2022



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 (2016). The principles being that the Chief Financial Officer (Director of Resources and s.151 Officer):

- 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 Leadership 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 2022 / 2023 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 Council has, and is still facing, challenges with supporting rising service demand and increasing costs within a restricted budget envelope. PCC is currently at the lowest level of government intervention, working closely with Cipfa and with an Independent Improvement Panel (IIP) in place to support the Council to a position of Financial Sustainability. The IIP meets monthly with the Chief Executive and Leadership Team to review progress against the ambitious plan to reach longer term financial sustainability. PCC did not use the capitalisation direction applied for in 2021/22 and did not apply for one for 2022/23. A £17m savings plan is in place, progress is being closely monitored with monthly update reports to CLT and to the IIP.

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 2022 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 2021–2025 was endorsed by Cabinet in March 2021 for consultation. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all. Following a series of external reviews undertaken during 2021 and the establishment of an Improvement Panel, a new Corporate Strategy is being developed together with strategic priorities.

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 (2016) 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 four 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. Following the issuing of a new model code of conduct by the Local Government Association the Committee considered the model code and recommended its adoption to Full Council – Full Council adopted the new code in July 2021 which significantly boosts the requirements of the previous code.
- 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. Policy reviews of these areas form part of the remit of the Constitution and Ethics Committee.
- Staff behaviour is governed by the Officer Code of Conduct.

- Third party challenge to the Council’s operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved to the Chief Internal Auditor.
- Confidential concerns can be raised through the Council’s Whistleblowing Policy with a number of officers identified as first points of contact, the lead officer being the Director of Legal and Governance and Monitoring Officer.
- 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 and refreshed annually and reported through Audit Committee.
- 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 Council’s Constitution, which shows 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 generally mutually supportive and based on openness, honesty, trust and appropriate challenge, vital for the effective governance of the Council.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Leadership Team. Cabinet portfolios are assigned on a function basis, rather than directorate and subject to appropriate officer support.
- The 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 / 2019 the service was externally reviewed and demonstrated full compliance with these standards. The next review is scheduled for 2023 / 2024.
- 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.

- Other members of the Corporate Leadership Team include Executive Director of People Services and Executive Director of Place and Economy.
- As part of respecting the law, the Council was inspected by the Investigatory Powers Commissioner’s Office in February 2021 in relation to its compliance with the Regulation of Investigatory Powers Act. The Council received very positive feedback following the inspection, setting out how the Council complied with Codes of Practice. Only minor amendments were proposed to the Council’s RIPA Policy, and this was reported to Audit Committee in March 2021. Routine updates when RIPA is used and reported through to Audit Committee.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives. An updated draft Corporate Strategy was published in March 2021 for consultation.
- Council meetings are open, subject to Coronavirus Act (2020) regulations, to every citizen, are sound recorded and made available online, for example on Facebook.
- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could still be made to maintain good governance, principles of openness and accountability. The council has adapted its approach by assessing which decisions could be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Virtual meetings were instigated to ensure transparency and good governance prevailed and allowed access to the public and press. From May 2021 these reverted back to in person meetings as the legislation was not extended to allow virtual meetings to continue.
- 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 BID has been approved and is scheduled to go live in 2022.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of powers devolved from central government.
- The Council works in partnership with Cambridgeshire County Council and a number of services and senior management are shared.
- 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.

- Budget considerations of the final budget took place at Full Council on 2 March 2022. The Council Tax increase for the year was 2.99% (1.99% General Increase and 1.00% Adult Social Care).
- The Council continues to work closely with the IIP and Cipfa to achieve a position of Financial Sustainability.

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 Leadership 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. Supplementary registers were established during the year to cover for Covid-19 risks, and these have been incorporated into each department. Risks are escalated through to the Corporate Leadership Team on a monthly basis as part of a wider remit to review performance across the Council.
- 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. Subsequent to the draft Annual Governance Statement submitted to Audit Committee in July 2021, with ongoing concerns in relation to the overall financial resilience of the Council following the initial development of the MTFs, financial and governance reviews were commissioned with external bodies – Department for Levelling Up Housing and Communities (formerly Ministry for Housing Communities and Local Government (MHCLG) and CIPFA. This has led to a fundamental refresh of our approach for future years which should lead to financial stability. Monitoring is through an Improvement Panel.
- Audited accounts remain open at present as a result of national consultation in relation to infrastructure assets. Regular updates are provided to Audit Committee.
- In July 2019, the Council agreed there was a Climate Emergency and reports now have to contain, where relevant, a Carbon Impact Assessment. An annual Climate Action Day has been set up, the second took place on 4 March 2021.
- 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. Identified improvements are being implemented.
- In order to achieve long term financial targets, the Council has set a budget for the year 2021 / 2022 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council. Separate financial support has been provided by MHCLG following ongoing dialogue throughout 2020 and 2021. The use of financial support has not been called upon for 2021/2022.
- 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. Following external reviews of governance, the Audit Committee has been supplemented with the appointment of 3 Co-opted Independent Members who are not elected Councillors to help boost the Committee's level of scrutiny and challenge. They took up their positions in February 2022 and the Committee is now chaired by an independent member.
- The Council, in order to discharge its functions on Health, operated a dedicated Health Scrutiny Committee in 2020/2021. This was combined with Adults from 2021/2022.
- 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. Regular meetings and 1:1's are held at all levels. As part of these meetings performance is discussed. The performance review process has been reviewed and new "Conversations" approach established.
- A Leadership Programme for all managers delivered appropriate training and raised awareness across the Council of its processes, policies and services. Deferred due to the pandemic, it went live in summer 2021.

- 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 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 receive extensive induction training before and after the Annual Meeting of Council. Separate training is provided for specific Committee needs.
- 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 by comments made by the external auditors and other review agencies and inspectorates. During 2021 / 2022, 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 registers, 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.

Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control, which are incorporated into the governance issues below.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. *(There are separate appendices within the Committee report which will be incorporated into this document following agreement).*

- Appendix C: Progress against previous issues
- Appendix D: Governance Issues to be addressed

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. These were adapted during the Covid-19 Pandemic. 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. A number are reflected in our Improvement Plans. 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:

Matt Gladstone, Chief Executive

Date:

Signed:

Councillor Wayne Fitzgerald, Leader of the Council

Date:

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
2018/19			
19.05	BUSINESS CONTINUITY (Lead: Corporate Director of 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. Conduct a yearly full business continuity test during 2019/20.</p>	<p>Council officers have been successfully working remotely since March 2020 due to Covid-19.</p> <p>This has actively been used to coordinate responses in relation to Covid-19. Regular reviews are undertaken to ensure that remains valid.</p> <p>There has been no disaster recovery testing in the last 12 months and this increases the residual risks against the Council. It will be activated in 2021.</p>	<p>A recent follow up audit by Internal Audit has identified minimal progress in addressing issues previously raised. Timescales have all been revisited.</p> <p>Emergency Planning is a shared service with County. The Council lead is currently on maternity leave. Ongoing works throughout has been linked with Covid-19.</p> <p>The Lead Officer now is the Director of Customer and Digital Services, although all Directors / Senior Management have a responsibility to develop and maintain effective plans.</p> <p>Business Continuity Plans are localised across all services. This are all subject to refresh. As an example of in-year changes, substantial effort was in place in relation to adaptations to the computer server room in order to ensure smooth transfer for the use of it by County Council systems.</p> <p>UPDATE ACTION</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
2019/20			
20.01	<p>BALANCED BUDGET (Lead: Corporate Director of Resources)</p>		
	<p>The Council has set a balanced budget for 2020/21. This is based on a number of transformation projects being delivered. This includes HR business model; Improved financial control; Finance Business Partner model; Increase in automation; Increase in shared services; and Reduction in staffing levels</p> <p><u>Proposal</u></p> <p>While the various projects are managed there is the risk that if not implemented on time that savings will not be achieved. In the worst case scenario this could lead to the need to issue an s114 letter.</p> <ul style="list-style-type: none"> • Conduct a set of reviews during spring 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. <p>The “Going Concern” Note 44 sets out the Council’s position at November 2020 and the “material uncertainty” on maintaining current service levels that the External Auditors highlight as a significant risk due to the Council’s existing financial position and the financial effects of Covid-19.</p>	<p>Reviews took place in January to March 2020 which identified possible savings options of £12m of the total £14m 2021/22 deficit. These were then impaired down to £3m due to Covid-19.</p> <p>Significant budget gap identified for future years 2021/22 onwards due to the nature of Covid-19 and the Councils underlying financial position.</p> <p>Regular communications were held with MHCLG in relation to the budget. An independent review was undertaken which confirmed the extent of the funding required to enable to balance the budget. Auditors have commented on the transparency of the Council’s position.</p> <p>This was acknowledged and appropriate funding was granted by MHCLG to close the gap. Nevertheless, future year budget gaps remain and these will need to be assessed and a continued.</p> <p>MHCLG financial and Governance review due on site at the Council in July 2021 to validate overall financial support and a path to sustainability in future years.</p> <p>The increasing need for and cost of demand led services such as social care, temporary accommodation and no recourse to public funds creates significant pressures on budgets. These pressures are anticipated to continue for 2021/22 and beyond and will continue to need close monitoring and robust management action.</p> <p>The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2021/22 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. However, there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning.</p>	<p>Throughout 2021 there has been ongoing monitoring of the budget and reported through to Cabinet. In addition the Council also had inspection / early intervention reports from government (which also looked at governance arrangements).</p> <p>These 2 reports identified gaps in some processes but was also complementary in relation to a number of the initiatives which had been put in place for progression towards a balanced budget, such as the Rapid Improvement Team. Each identified a series of recommendations and these have been bought together in an overarching Improvement Plan. Items identified include downsizing on the capital programme, reviewing assets and delivering services differently. Clear timelines are set out in the Plan to balance to a sustainable budget.</p> <p>Mid-January 2022: Budget papers prepared which set out a balanced budget for 2022/23 subject to agreement by politicians at Full Council</p> <p>March 2022: Balanced budget approved.</p> <p>WHILE IT REMAINS AS AN ONGOING NEED, IT IS SUBSUMED INTO OTHER FINANCIAL ACTIONS.</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
20.02	<p>COVID-19 (Lead: Corporate Director of Resources)</p>		
	<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> <p><u>Proposal</u></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 advantage of changes to service delivery to deliver a revised product to the public 	<p>The council has adhered and responded at pace to government guidance in response to the pandemic. Priorities changed to focus on the need to distribute emergency funding to vulnerable residents and businesses and to support essential services. BAU changed to accommodate this, but key processes and functions have been maintained.</p> <p>An ongoing assessment of the impact of the coronavirus pandemic on council services and council systems continued throughout the year in line with good financial governance. This was reported to MHCLG monthly.</p> <p>The 2021/22 MTFS reflects the impact of the pandemic.</p> <p>The council will look to ensure that the additional spending and loss of income (particularly from council tax and business rates) are fully recovered from central government. The council has maintained a log of all spending commitments and income losses relating to the pandemic to enable full accountability.</p> <p>Financial stress on major service contracts such as leisure and construction, a fall in commercial property income and a delay to capital programme works has been assessed in the medium and longer term. One impact has resulted in the leisure contract returning to the Council.</p> <p>Ongoing discussions have been held with MHCLG which has seen additional funds provided in order to balance the budget.</p> <p>See 20.01 for links to MHCLG Reviews.</p>	<p>Overall grants administration coordination through Finance (with separate folders monitoring and reconciling for government returns) as well as links within Revenues and Benefits for business grants. Delivery of services to the public is through the Coordination Hub.</p> <p>A separate Covid-19 risk register was developed at the start of the pandemic for all departments including BAU but following initial relaxations after first wave these were incorporated into individual departments as part of BAU etc. Monitoring of these risks and delivery was through JMT Gold.</p> <p>Regular monitoring enabled PCC to obtain additional monies as part of enhanced status – as a result of lower levels of take up of vaccinations based on the demographics across the area.</p> <p>WHILE THE THREAT OF NEW WAVES OF INFECTION REMAIN, WITH THE AMALGAMATION OF RISKS WITHIN BAU AND CHANGES ACROSS THE AUTHORITY IT IS SEEN APPROPRIATE TO CLOSE THIS ACTION.</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
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	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
20.03	<p>COUNCIL STRUCTURE (Lead: Joint Management Team)</p>		
	<p>Linked to 20.01 and 20.02 the current situation has identified that the Council can operate outside of its main hub. There is a need to review the current arrangements to ensure that they meet future needs / pressures.</p> <p><u>Proposal</u></p> <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 	<p>The Council has worked in an agile nature for the whole of 2020/21 and will continue to do so until Government advice changes.</p> <p>Team Charters have been updated to reflect expected working patterns post Covid-19.</p> <p>Recovery Board discusses new way of working cross Council for escalation to JMT and Members for approval.</p> <p>MTFS includes assumptions of how the Council will work in the future, including estimates of ongoing demand for services.</p> <p>Also see commentary in 20.01 and 20.02.</p>	<p>The Council has embraced agile working throughout the pandemic. BAU has been maintained during this time – albeit in the initial period a number of services were curtailed.</p> <p>As the Council has come out of lockdown and with serious financial pressures a number of external reviews have provided recommendations how the Council can move forward in a more sustainable way. These will all be coordinated through the Improvement Panel and the associated plans.</p> <p>As part of these plans</p> <ul style="list-style-type: none"> Review services to ascertain if still need to be provided Implement change <p>In addition, there has been change in leadership following the retirement of a number of senior officers. A new vision is required to take the Council forward and will also consider a review of the structures.</p> <p>THIS ACTION TO REMAIN</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
20.04	LEVELS OF DEBT (Lead: Corporate Director of Resources)		
	<p>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</p> <p><u>Proposal</u></p> <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 recovery period 	<p>Debts continue to be monitored and a report has been taken to Audit Committee for approval of write offs over £10,000. All paths to recover of these debts have been exhausted.</p> <p>Negotiations have been underway, due to be completed by the end of June 2021, with the CCG on the treatment of existing debt and approval pathways for ongoing debt.</p> <p>Internal Audit have been commissioned in May 2021 to look into the debt recovery process. This will be reported on in June 2021 and will also form part of the evidence for the MHCLG / Peer reviews covering the financial resilience of the Council.</p> <p>Note, that there is a new Government initiative in 2021/22 that allows debtors more time to pay outstanding sums which will need to be administered.</p> <p>As per the 2020/21 outturn report, outstanding sundry debt is £5m less than the 2019/20 position.</p>	<p>Internal Audit undertook a review of the sundry debtors processes and a number of recommendations reported. These have now all been implemented.</p> <p>Regular reports are generated and referred through to senior managers for information including commentary on collection levels, especially now that previous embargoes have been lifted and the Council can begin to chase debt again.</p> <p>Reports are submitted to Audit Committee to write off debts which the Council has deemed uncollectable. The last report was received by Committee in November 2021.</p> <p>WHILE STILL AN ACTION, IT HAS BEEN INCORPORATED INTO BUSINESS AS USUAL PROCESSES AND IS TO BE CLOSED.</p>
20.05	LOSS OF KEY STAFF (Lead: All Directors)		
	<p>Covid-19 will be a severe test on Council resources. The Council needs to ensure it retains key staff</p> <p><u>Proposal</u></p> <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 	<p>Succession planning was identified as an issue from the Directors Self Assessments – although there is limited evidence that this has been progressed across organisation.</p> <p>It has been noted that during Covid-19, more staff transferred from Agency to permanent positions due to a safety of tenure.</p> <p>The risk remains, especially post Covid-19 where staff have realised that in many jobs they can work from anywhere.</p>	<p>Across the Council there has been recent retirements at senior officer level which has taken a lot of knowledge away from the organisation. Various steps were taken to look to ensure that that this knowledge, as best as can be achieved, was transferred to others.</p> <p>THIS ACTION IS TO REMAIN TO INCORPORATE WORKFORCE AND SUCCESSION PLANNING.</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
20.06	<p>COUNCIL CONTROLS 2019/20 (Lead: Chief Internal Auditor)</p>		
	<p>There were three Internal Audits of Limited Assurance in 2019/20 which required rectification plans:</p> <ul style="list-style-type: none"> • The Procurement Card System • Energy Management • Transition of Amey contract to Peterborough Limited <p>There we no Internal Audits rated as “No Assurance”</p> <p><u>Proposal:</u> Ensure recommendations are implemented. Ensure assurance levels of these Audits move to at least Reasonable Assurance</p>	<p>Improvements have been established for 3 of the audits identified. The Procurement Card system remains as Limited Assurance. A further follow up will be undertaken.</p>	<p>Follow up of audits has demonstrated these has been progress. THIS ACTION IS TO BE DELETED</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
2020/21			
21.01	SOCIAL CARE INTEGRATION (Leads: Corporate Director of People and Communities / Corporate Director of Resources)		
	<p>On 1/7/22 the first meeting of the Integrated Care Board (ICB) took place. PCC is represented on this Board by the Executive Director People and Communities and Director of Public Health. The establishment of the Integrated Care System will include a North Place based multi agency Collaborative covering Peterborough, Fenland and Huntingdonshire. In addition PCC is also involved in Collaboratives focussed on Children and Maternity and Learning Disability and Mental Health. Membership and involvement in the ICS will enable the development of good practice and innovation in the area of integration of health and social care.</p>	<p>Ensure coverage at all critical meetings</p> <p>Ensure effective participation by the Council in the ICB process and that Council Governance processes understood and adhered to by Health Partners</p> <p>Ensure periodic updates to CLT, CPF and Cabinet so sighted on progress and potential risks, liabilities and opportunities.</p>	<p>Regular reports have been provided to CLT, CPF and Cabinet and briefings to Members on integration, finances, new legislation etc.</p> <p>WITH THE SOCIAL CARE SECTOR CONTINUING TO BE UNDER PRESSURE AND CHANGES, THIS ACTION WILL REMAIN</p>
21.02	ONGOING BUDGET POSITION (Leads: Corporate Director of Resources / All Corporate Directors)		
	<p>In its 2019/20 Audit Results Report signed off by Audit Committee on the 21st June the Councils External Auditors have given the council a Qualified Opinion for its Value for Money opinion, based on its financial position.</p> <p>The financial position and work being done with MHCLG is set out in 20.01 but this magnifies the significance of those conversations.</p>	<p>Ensure that MHCLG and LGA reviews are completed</p> <p>Address quickly the recommendations of the MHCLG review, once received, as this will impact future funding for the Council.</p>	<p>Separate reviews completed have been captured in an overarching Improvement Plan. This has been agreed by Council in December 2021. An Improvement Panel has been commissioned.</p> <p>A balanced budget has been established and agreed by Full Council.</p> <p>THIS ACTION CAN BE CLOSED FOR THE YEAR AND A SEAPARATE ONE GENERATED INCORPORATING FINANCIAL SUSTAINABILITY</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
21.03	INFORMATION GOVERNANCE (Leads: Director of Customer & Digital Services / Director of Law & Governance and Monitoring Officer)		
	<p>The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management.</p> <p>The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by council departments continues to be of paramount importance.</p>	Monthly updates to JMT on these issues and how treats are being mitigated	<p>The Internal Audit review of Cyber Security concluded that it could only place limited assurance on the current arrangements. The Council relies on external IT audits to identify key cyber security process weakness. These audits have identified key corrective actions required such as the replacement of unsupported operating systems. Key remedial actions remain outstanding, and IT plans provided contain no target dates for addressing outstanding actions. A detailed action plan has been put in place.</p> <p>There is an overarching Information Governance Board which covers both Peterborough and Cambridgeshire which provides a coordinated approach although there is a need for greater transparency to Members and increase discussions at Audit Committee.</p> <p>THIS ACTION SHOULD REMAIN IN PLACE WHILE THE AUDIT ACTIONS ARE BEING IMPLEMENTED</p>
21.04	CLIMATE CHANGE (Lead: Executive Director, Place & Economy / All Directors)		
	The implementation of the council's climate change strategy, to allow the council to adapt to the impact of climate change.	Clearly costed and agreed medium long-term plans, for implementation of the strategy as we move over the next 5 years up to 2026.	<p>Growth, Environment and Resources Scrutiny Committee have had reports relating to climate change which have been produced by the Independent Commission on Climate.</p> <p>Recommendations reflect the Councils priorities and need to be fully costed with a clear city-wide carbon management action plan.</p> <p>A detailed report was submitted to Cabinet in June 2022.</p> <p>THIS IS A KEY DELIVERABLE AND SHOULD REMAIN AS A KEY ISSUE GOING FORWARD</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
21.05	<p>PROJECT MANAGEMENT (Lead: Director of Customer & Digital Services / All Directors)</p>		
	<p>The Council is making use of project management software to provide an effective solution to consistent practice being followed for key delivery. There is mixed take up across the organisation and increases the risk of project failure.</p>	<p>Clear project plan for moving project monitoring in all services onto POWA</p>	<p>Internal Audit review of project management has given limited assurance to its processes. The existing system is provided jointly to PCC / CCC and is on the POWER-BI platform. Current regulations refer to the use of Programme and Project Management procedures, although these do not exist in a standard and consistent form. In the absence of a standardised project management process, several project initiation and approval processes have been adopted using different project initiation and business case proformas, e.g. capital programme projects, Rapid Improvement Team projects, IT projects.</p> <p>The Business Improvement & Development directorate have already identified key deficiencies of the Council's current project management process which is disjointed and does not follow a consistent prescribed project management methodology. The Council has a dedicated online project management system which is not widely used, although the PCC Constitution does direct mandatory use of a project management system. Project management weaknesses were also identified by a recent external governance assurance review commissioned by DHLUC.</p> <p>ACTION TO REMAIN TO BE ADDRESSED</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
21.06	LOAN FINANCING (EMPOWER) (Lead: Corporate Director of Resources)		
	<p>The external Auditors in their 2019/20 Audit Results Report have a recommendation that the Council:</p> <p>Reviews any similar finance arrangements (the Empower Arrangement) to ensure that there is not a risk of exposure to further financial loss.</p> <p>Reviews the appropriateness of its Minimum Revenue Provision policy for capital loans in light of these events.</p> <p>Should it decide to bring the solar panel assets and asset management arrangements in-house, obtain an up-to-date valuation of the assets as soon as practicable in order that the Authority can determine whether there are any additional indicators of impairment and the basis on which the solar panel assets are recognised for financial reporting and asset management purposes.</p>	<p>That the Council undertake this review and report on progress (as the valuations might take more time) to the next available Audit Committee.</p>	<p>PCC decided to bring the solar panel assets and asset management arrangements in-house.</p> <p>Last reference to Empower in final accounts commentary from EY.</p>
21.07	PERFORMANCE REPORTING (Leads: Director of Business Improvement and Development / All Corporate Directors)		
	<p>Directors' self-assessment questioned whether this was as developed as well as could be expected. Need to have a way of regularly reporting on performance (not just financial which has been fully reviewed and working well)</p>	<p>Define what departments regard as their key performance information</p> <p>Set out a reporting framework so that this information is reported alongside other information like financial information to key stakeholders.</p>	<p>Performance reporting, other than financial, remains a weakness – and has been identified by inspection reports and including in the Improvement Plans.</p> <p>While there are a number of reports which are now taken to Corporate Leadership Team Meetings when there is a focus on performance, this may need to be developed further. This should link in with amendments as the Corporate Strategy and Vision for the Council is determined.</p> <p>TO REMAIN AS AN ACTION.</p>

	ASSURANCE GAP / PROPOSAL TO MITIGATE	PROGRESS	RESIDUAL STATUS
21.08	BUSINESS RATES DEBT LEVELS (Lead: Corporate Director of Resources)		
	This includes Business Rates and Council Tax Collection, which due to Covid-19 were below previous year's collection levels. Business Rates, in particular, were £11.5m lower than expectation in 2020/21 due to the Council not starting formal chasing of outstand debt until Quarter 4.	Ensure that for Business Rates, ongoing weekly reviews are undertaken to ensure the £11.5m 2020/21 deficit is recovered and that 2021/22 collection rates are closely monitored.	Regular reports are produced and submitted to the Corporate Director or Resources. Levels have improved following the move away from pandemic, various grants and the ability to look at actions debt recovery. CLOSE – ONGOING REPORTS IN PLACE
21.09	COUNCIL CONTROLS 2020/21 (Lead: Chief Internal Auditor)		
	There were three Internal Audits of Limited Assurance in 2020/21 which required rectification plans: <ul style="list-style-type: none"> • Procurement Cards • Teacher Pensions (Premature Retirement Payments) • IT Asset Management There we no Internal Audits rated as “No Assurance”	Ensure recommendations are implemented. Ensure assurance levels of these Audits move to at least Reasonable Assurance	Follow up of audits has demonstrated these has been progress. THIS ACTION IS TO BE DELETED

GOVERNANCE ISSUES IDENTIFIED REQUIRING ATTENTION

2021 / 2022

22.01 (Was 19.05)	Issue	BUSINESS CONTINUITY
	Lead Officer	Corporate Director of Customer and Digital Services
	Description	All departmental Business Continuity Plans to be regularly reviewed and tested during 2022 / 2023. Regular updates will be provided to the Corporate Leadership
22.02 (Was 20.01, 21.02)	Issue	BALANCED BUDGET AND FINANCIAL SUSTAINABILITY
	Lead Officer	Director of Resources and s151 Officer
	Description	The Council will continue to monitor its budget spending throughout the year and establish a MTFS early to enable for a balanced budget to be approved and moved towards financial sustainability in line with the Improvement Plans.
22.03 (Was 20.03)	Issue	COUNCIL STRUCTURE
	Lead Officer	Corporate Leadership Team
	Description	To reflect the proposed Corporate Strategy, changes to the links with Cambridgeshire County Council, there is a need to realign the senior management team and then potential changes elsewhere as part of service reviews conducted internally and / or CIPFA to meet the Improvement Plans.
22.04 (Was 20.05)	Issue	LOSS OF KEY STAFF
	Lead Officer	All Directors
	Description	As part of any restructures identified above or retirement and staff leaving, there will be a requirement to ensure that knowledge is not lost to the organisation. Appropriate workforce plans will be established.

GOVERNANCE ISSUES IDENTIFIED REQUIRING ATTENTION

22.05 (Was 21.01)	Issue	SOCIAL CARE INTEGRATION
	Lead Officer	Corporate Director of People and Communities / Director of Resources and s151 Officer
	Description	Continue to work towards greater integration between social care and health in order to maximise finite resources

22.06 (Was 21.03)	Issue	INFORMATION GOVERNANCE
	Lead Officer	Director of Customer & Digital Services / Director of Law & Governance and Monitoring Officer
	Description	There is a need for continued vigilance in relation to the handling and access to data whether internally or the ability for it to be accessed from outside the Council

22.07 (was 21.04)	Issue	CLIMATE CHANGE
	Lead Officer	Executive Director, Place & Economy / All Directors
	Description	The Council has an ambitious strategy to meet climate change targets. There is a need for this to be regularly challenged and monitored

22.08 (Was 21.05)	Issue	PROJECT MANAGEMENT
	Lead Officer	Director of Customer & Digital Services / All Directors)
	Description	Effective project management arrangements are required to assist in the ambitious Corporate Strategy and changes expected across the Council

GOVERNANCE ISSUES IDENTIFIED REQUIRING ATTENTION

22.09 (Was 21.06)	Issue	LOAN FINANCING (EMPOWER)
	Lead Officer	Director of Resources and s.151 Officer
	Description	With the decision to bring the solar panels etc. back in-house there is a need to ensure that there are accurate records, valuations in place to enable appropriate impairments to be recorded in the Councils records / accounts

22.10 (Was 21.07)	Issue	PERFORMANCE REPORTING
	Lead Officer	All Directors
	Description	Continue to review and embed performance reporting through committees and Corporate Leadership Team to meet expectations set out in the Improvement Plans

22.11 ** NEW **	Issue	GOOD GOVERNANCE AND DECISION MAKING
	Lead Officer	Director of Legal and Governance and Monitoring Officer
	Description	External reviews have identified a number of areas for improvement in decision making. Changes will be implemented to streamline and make decisions more transparent (as identified in the Improvement Plan). The Councils Local Code of Governance will be refreshed during 2022

22.12 ** NEW **	Issue	EQUALITIES
	Lead Officer	All Directors
	Description	The Council has established an Action Plan to look to develop and embed appropriate policies and processes to deliver improvement in equality and diversity

GOVERNANCE ISSUES IDENTIFIED REQUIRING ATTENTION

22.13	Issue	COUNCIL CONTROLS
** NEW **	Lead Officer	Chief Internal Auditor
	Description	Managers embrace internal audit recommendations and implement in line with agreed timescales

AUDIT COMMITTEE	AGENDA ITEM No. 11
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth – Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Coles – Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth – Interim Corporate Director of Resources	Tel. 384564

VERBAL UPDATE – AUDIT RESULTS REPORT FOR YEAR ENDED 31 MARCH 2021

R E C O M M E N D A T I O N S	
FROM: Cecilie Booth – Interim Corporate Director of Resources	Deadline date: 25 July 2022
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive and note the verbal update of the “Audit Results Report – (ISA260)” for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council which has been delayed until August 2022. 	

1. ORIGIN OF REPORT

- 1.1 Receive and note the verbal update of the “Audit Results Report – (ISA260)” for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council which has been delayed until August 2022.

2. PURPOSE AND REASON FOR REPORT

- 2.1 This is a report covering the update from Ernst Young regarding the “Audit Results Report – (ISA260)” for 2020/21.
- 2.2 Neil Harris (EY) confirmed that the 2020/21 SoA would not be ready for the July Audit Committee as originally planned in the last update to Committee. The following factors which remain outstanding are:
 - Accounting for infrastructure – this is a national issue and reflects the historic approach to accounting for infrastructure assets on a Council’s balance sheet. Instruction / guidance from CIPFA is required, as the Council has accounted for this correctly per the Code which is being challenged nationally by the Auditors. An EY auditor approach based on this declaration from CIPFA therefore also remains outstanding, which in turn impacts on the work the Council is required to complete.
 - Going Concern - due to the delays caused from the above point, the Going Concern note may need to be revised again due to the delays between drafting and the final sign off of the Accounts. EY require an internal four-week consultation process on each update of the Note.
 - Empower - the FRC is undertaking a review of EYs 2019/20 audit file and there is a risk that further inquiries may result in an assessment being made as to the appropriateness of the Council's conclusion with regards to the Group Boundary. The Council has prepared its argument and provided to EY already However, there is a risk of a post balance sheet event and the Council awaits further feedback from EY.
- 2.3 This report is for the Audit Committee to consider under its Terms of Reference No.

This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.5 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance and 2.2.1.7 To comment on the scope and depth of external audit work and to ensure it gives value for money

3. TIMESCALES

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

4.1 None

AUDIT COMMITTEE	AGENDA ITEM NO: 12
25 July 2022	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Coles	
Committee Member(s) responsible:	Chris Brooks, Chair of Audit Committee	
Contact Officer(s):	Cecilie Booth, Interim Corporate Director: Resources Kirsty Nutton, Service Director Financial Services	Tel. 452398 Tel. 384564

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

R E C O M M E N D A T I O N S	
FROM: Interim Corporate Director: Resources	Deadline date: 29 July 2022; <i>statutory deadline for CFO to approve Accounts</i>
<ol style="list-style-type: none"> 1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 29 July 2022 2. For members to note that Annual Governance Statement will be a separate report in 2021/22 and not included in the draft Statement of Accounts. 	

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 2021/22 Code of Practice (the Code) and are followed in the preparation of the 2021/22 Statement of Accounts.
- 2.3. The 2021/22 Statement of Accounts is the second 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.

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

- 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.
- 2.6. In accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020 the Accounts should be signed and certified by 30 November 2022 by the Council's Section 151 officer / Chief Finance Officer (Corporate Director Resources), but the Council have been advised that this audit will not start until January 2023 which has slipped from December 2022 as mentioned below due to the delay in EY completing the 2020/21 Audits across all their clients. EY state:

“Similar to our approach for 2020/21, EY have given significant consideration to the delivery of the 2021/22 audit cycle, in light of the current position of our 2020/21 delivery cycle and the target date for published financial statements of 30 November. Our 2020/21 plan whilst successful, was impacted by a number of engagements that were not ready for audit or have had issues come to the fore through the audit, such as infrastructure assets. For transparency in our planning approach and to give you a timeline for the coming year, we have phased our delivery plan for the 2021/22 cycle to 31 March 2023. This will deliver audits in a planned manner over the coming year, to ensure we are delivering high quality audits consistently over the audit period and provide you with start dates for your audit. We plan to commence the Peterborough City Council 2021/22 audit execution phase in the week commencing the 5 December 2022 but we will be completing our audit planning and walkthrough testing in advance of this date. All our execution audit requests will be with the Council in advance of the start date so that working papers can be prepared and provided in advance of the audit start date.”

- 2.7. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council as at 31 March 2022.
- 2.8. The Audit Committee is required to approve the Accounts following the completion of the external audit, and in the knowledge of, the audit findings. As per above this is expected to be in the new year.
- 2.9. Under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit. However, the Council considers it is good practice for Members to review and comment on the draft accounts prior to the Chief Financial Officer's (CFO) certification and publication to the Council's website.
- 2.10. 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.
- 2.11. At the time of publishing this report the Finance Team are completing the Group Accounts for 2021/22 as they are reliant on information from the third parties which is still being prepared by Peterborough Ltd and the HE Company managed by Cambridgeshire and Peterborough Combined Authority.
- 2.12. The Finance Team have updated the Going Concern note in the Accounts with information until September 2023 but this will be updated as required after the External Audit for 2020/21 has been completed (see EY update agenda item).
- 2.13. The Council has not yet received a detailed Audit Plan for 2021/22 which will inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged.

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 2021/22 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 Audit Committee meeting following the completion of audit of the Council's accounts.
- 4.3. 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 August 2022. This means that accounts must be confirmed by the responsible finance officer (CFO) must be published by 29 July 2022. The Council has published the dates of the public inspection period on the Council's Website.
- 4.4. As noted previously 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 draft accounts prior to the Chief Financial Officer's (CFO) certification and publication on the Council's website.
- 4.5. The key contents of the Statement of Accounts 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 2022;
 - *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 2021/22;
 - *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 Peterborough Limited: 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 2022, following its approval.

Comprehensive Income and Expenditure Statement

- 4.6. This statement shows the Council's activities and summarises the resources generated, consumed or set aside.

Balance Sheet at 31 March 2022

- 4.7. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council as at 31 March 2022 with the comparative figures for 31 March 2021. 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 decreased by £18.9m, the majority of this movement is the decrease in Short Term Debtors (money owed to the Council) of £33.5m due to the reduction in the deficit on the Collection Fund which is offset by an increase in Cash and Cash Equivalents of £9.9m.
- 4.9. Long Term Liabilities have decreased by £81.5m. This is mainly due to a decrease in the Pensions Liability of £76.0m. This is due to the investment returns being greater than expected (compared to last year's accounting discount rate assumption). All else being equal, this will lead to a positive 'Return on assets'.

Reserves and Balances

- 4.10. As reported to Council in March 2022, the Interim Corporate Director: 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 2021/22 is £7.3m, which is an increase of £1.3m.
- 4.11. Reserves are split into two categories; unusable and useable reserves. 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 reserves have moved by £119.6m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Collection Fund 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 4.09 and thus this reserve has decreased by the same £76.0m.
- 4.14. Collection Fund Adjustment Account, which has decreased by £16.5m, reflects the recovery on the Council's Collection Fund after the impact of the COVID-19 pandemic on National Non Domestic Rates (business rates).
- 4.15. Earmarked Reserves are detailed in Note 16 and show the movements during the year and the balances as at 31 March 2022. The reduction of £6.7m in the Earmarked Reserves relates to using the Tax Income Risk Reserve to compensate the Council for the additional cost of providing the extended business rates retail and nursery relief. The Outturn report provides further detail of the movements in 2021/22 which was provided at the previous Audit Committee Meeting.

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 2021/22 of £0.6m from £4.7m to £4.1m.

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 July 2022;
 - 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 2022. However as referenced in paragraph 2.6 the Council has been advised by EY the audit will not commence until January 2023.
 - 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 includes the first working day in August 2022. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts.
- 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 2021/22. This will be considered at the Audit Committee meeting following the completion of the External Audit commencing in January 2023.

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 2021/22
- Council March 2022: 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 – Draft Statement of Accounts 2021/22

Statement of Accounts 2021/22

PETERBOROUGH



Peterborough City Council

Statement of Accounts 2021/22

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Narrative Report

1. The Statement of Accounts

The Statement of Accounts brings together the major financial statements for the financial year 2021/22. 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 on 31 March 2022
- 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.

The statement of Accounts 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 2021/22 (the Code).

2. Our City

Peterborough is one of the UK's fastest growing and successful New Towns. According to Census 2021, the population in Peterborough was 215,700 a 17.5% increase since 2011. As well was ranked 84 for total population out of 309 local authority areas in England, moving up 13 places in a decade.



Peterborough is a historic town with heritage dating back as early as the 7th century. Its home to a 900-year-old Norman cathedral amongst other attractions such as the Museum and Art Gallery, Flag Fen, the Lido and Rail World.



According to the latest Centre for Cities report Peterborough has the 5th highest business start-up rate in the country and been ranked as the 13th best city for independent businesses by Bionic. Through 2021 we had few major UK and international companies opening sites across Peterborough such as McCormick, URBN, LIDL and Amazon as well Oatly's first UK plant is being built in Peterborough which is expected to be up and running in 2023 creating over 200 jobs.



Peterborough has a diverse and multicultural community, with over half the world's nationalities represented within the City and over 150 languages spoken.

Peterborough spans over 343km², covering 22 electoral wards. It is home to the Nene Park country park, amongst a host of other green open spaces, some of which hold Green Flag Awards making them some of the best open spaces in the country.



The Council is supporting the city's economic success with a 'Regeneration and Growth Strategy', which outlines investment of £600m across eight key development sites. This includes schemes covering North Westgate, Northminster and the University, which will provide accessibility to higher education and ensure the attainment of skills.



The City is positioned next to the A1(M), A47 and A11, and the East Coast mainline which is a 50-minute train ride to London. This attractive location provides easy transportation links to London and the North.

In the past year a total of 1,247 new homes were completed with an average of 1,100 new homes per year for the last five year. House prices in Peterborough now average at £231,752



3. Our Council Services

The Council provides a breadth of services to the community and businesses. It employs 1,294 members of staff and holds key contracts with Serco, Milestone, and Peterborough Limited who provide services on the Council's behalf.

The Council prides itself in partnership working and works closely with other Cambridgeshire Local Authorities, NHS health organisations, in addition to the voluntary sector, to provide value for money services which deliver outcomes and meet the needs of the community.

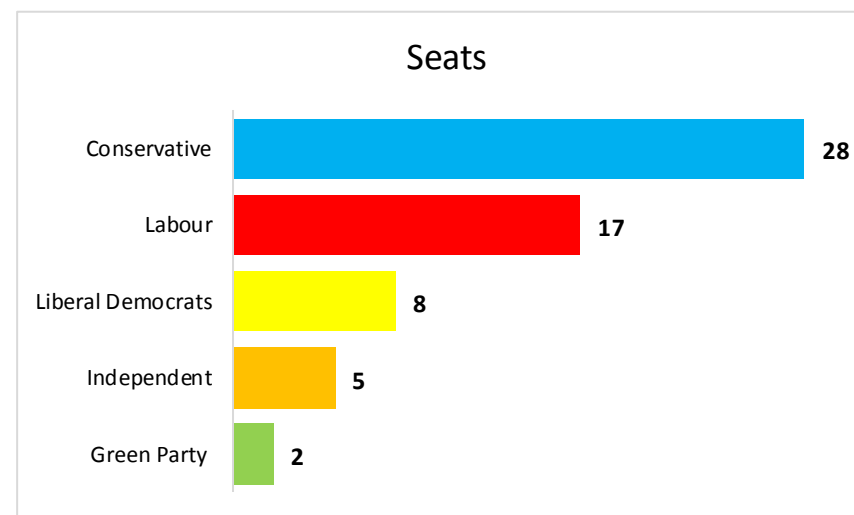
Although the Council has faced challenges in recent years, it has continued to provide vital services, demonstrated by these key achievements from the past 12 months which include:

- Looked after 380 children in care and supported a further 162 children through adoption and residency placements, providing them with more stability and permanency
- Supported 553 new households in temporary accommodation, and a further 180 rough sleepers were booked into Temporary Accommodation
- Supported 2,631 adults to remain independent in their own home with information and advice, universal or low-level support services in the year, 2,076 adults with long term care packages per week as at the end of the year, and 537 adults with shorter term reablement care within the year
- Registered the 4,293 births
- 84.1% of schools in the City were rated good or outstanding by Ofsted
- Cleared up 9,330 fly-tips
- Collected 17,625 tonnes of recycling

- 2,681 potholes were repaired, and 23 miles of roads were resurfaced
- Maintained 565 miles of roads, 723 miles of footways, 281 miles of cycle ways, 366 structures, 24,000 streetlights and 114 set of traffic signals

4. Council Democracy

The Council has 60 councillors which make up the following political representation:



The Council's Constitution¹ sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. The Council annually selects a Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services. The role of Cabinet is to:

- Providing leadership
- Running services and ensuring best value is delivered
- Implementing policies and delivering services

The Council's Scrutiny Committees cover specific service areas, including a specific committee designed to scrutinise budget reports. These committees support the work of the Cabinet and the Council by:

- Monitoring decisions of the Cabinet and holding them to account where required
- Allowing all Councillors, members of the public and partners to have a say, highlighting areas of concern
- Make recommendations to Council to support the development of policies and decisions

The Regulatory Committees are responsible for the functions which Cabinet, by law cannot undertake, or those that the Council has agreed should not be considered by Cabinet. This includes the Audit Committee, which is responsible for providing independent scrutiny of the Council's financial statements and risk management.

¹<https://democracy.peterborough.gov.uk/documents/g3851/Public%20reports%20pack%2007th-Jun-2021%20Constitution.pdf?T=10&Info=1>

5. The Councils Priorities

In December 2021, Full Council approved the Council's Improvement Plan and Corporate Strategy 2022-25². This outlined part one of a new Corporate Strategy, which will cover an 18-month tactical strategy for the period January 2022 - July 2023 with a focus on reaching financial sustainability. This underpins the Improvement Plan and supports the development of part two of the Corporate Strategy covering the period to 2025.

The strategy outlined that the Council will be a well governed Council and ensure delivery of the right services for those that need them in an efficient, cost effective and sustainable manner. The Council remains committed in ensuring that Peterborough is a place where residents are proud to live, work and grow up in. The Council set out how it will act now to ensure that in the longer term it is a financially and environmentally sustainable council which is well positioned to make Peterborough a place where:

- *We have a greener, cleaner City with safe, friendly and healthy neighbourhoods*
- *There are first rate futures for our children & young people, with quality support for adults, older and disabled people*
- *We support and enable people to do more for themselves, for each other and for their communities*
- *Our City grows in a sustainable and fair way to create job opportunities and address poverty. As we grow, we will invest in the quality and availability of housing*

The Council will review all of its delivery, budgeting, resourcing and performance activities and focus on the best quality core services

²<https://democracy.peterborough.gov.uk/documents/s45735/4.%20Appendix%204%20-%20Corporate%20Strategy%20Part%20One%20DRAFT%20v3.pdf>

it can afford. This first 18-month tactical strategy, is at the heart of our Improvement Plan and will focus on three key areas:

- reaching a sustainable financial model by 2023
- how the Council will deliver services now and, in the future
- strengthening the Council's governance and culture

It is expected that part two of the corporate strategy will be published by November 2022 and will set the longer-term ambition and vision for the Council and City.

6. Managing Organisational Performance

The Council has arrangements in place to ensure that it achieves economy, efficiency, and effectiveness, to deliver value for money services to residents. However, the Council recognises that its financial position means it cannot continue to provide services at the current levels and remain within its resource envelope.

Budget managers receive detailed budgetary control information each month. A monthly Budgetary Control Report (BCR) is reviewed by each Departmental Management Team, the Corporate Leadership Team (CLT), and has been considered by Cabinet on a regular basis throughout 2021/22.

Since Summer 2019 enhanced financial and human resources planning controls have been in place to ensure the Council operates within its financial envelope. These controls include:

- 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

In November the Council also implemented a moratorium on capital and revenue expenditure. This stopped all non-essential expenditure on services and programmes within the organisation. This was put in place to reduce the cost of borrowing and protect the Council's reserve position in the current year so that reserve balances can be used to fund future transformation of service delivery.

During 2021/22 the Rapid Implementation Team (RIT) was in place to ensure saving plans were delivered, and new savings proposals were developed, with the progress being regularly reported to CLT. There was also smaller Executive CLT group established, in recognition of the financial challenges facing the Council and the pace needed to develop savings proposals. This group strengthened the current officer led financial governance structure and provided an additional escalation route in order to approve work or resolve issues which may otherwise delay progress.

In January 2022 the Council welcomed a new Chief Executive, Matthew Gladstone, with an Improvement Plan also being approved in the December 2021. As a result of both changes in early 2022 weekly CLT meetings with specific finance and performance sessions, and an extended meeting for the wider leadership team were initiated. In addition an Independent Improvement and Assurance Panel along with savings and procurement boards have been established. All with a firm focus on supporting the delivery of financial sustainability.

All budget proposals and financial plans are scrutinised by Budget CLT, the Cabinet Policy Forum (CPF) and a Cross-Party Financial Sustainability Working Group (FSWG). 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 regular basis throughout 2021/22. 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 value which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2021/22 Capital Budget to £79.3m from £146.9m in April 2021.

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' to overview and confirm that the cost of the capital programme is sustainable. The capital programme and treasury activities are monitored throughout the year, with performance against the indicators reported to members twice a year. The final performance for these indicators is included in the Council's outturn report to Cabinet and Audit Committee.

Other key performance indicators (KPIs) include the Council's payment and debt collection performance and are contained in the outturn report to Cabinet and Audit Committee. The following are a sample of the 2021/22 KPI's reported:

- Prompt payment of invoices to suppliers – 82.9% (86.2% 2020/21) of invoices are paid promptly (within 30 days)
- Collection of debtor balances – a total of £62m (£69.7m 2020/21) of invoices was raised with a total of £63.5m (£64.4m 2020/21) collected, across all sundry debt

- The collection of council tax and business rates – Council tax collection rate for was 95.8% (95.16% 2020/21) and the business rates collection rate was 95.8% (81.83% 2020/21)

7. Revenue Position

The Council has been operating in challenging financial circumstances for several years, as a result of rising demand for its services, increased costs and reductions in funding from central government. Additionally, the Council has been exposed to greater levels of risk due to its low reserve balances.

The Covid-19 pandemic has had a noticeable impact on the Council's finances. The Council, along with many others, were faced with preparing budgets in incredibly uncertain circumstances, with an expectation that there would be additional delayed and longer-term demand for adults and children's social care services, and continued losses of income. During 2021/22 as the country reached the tail end of the pandemic the demand for services stabilised, and the resulting financial pressures were less significant than initially forecast.

The Council's final revenue outturn for 2021/22 was a £4.5m underspend. This reflected the activity being lower than forecast, as outlined above, additional income from grants and the Business Rates Pool, as well as the early delivery of savings and a pause on non-essential expenditure as a result of the spending moratorium put in place on capital and revenue budgets.

The following table shows how directorates performed against budget in 2021/22 with further detail and explanation contained in

the Outturn Report³ as presented to Cabinet and Audit Committee on 20 June 2022.

Net Revenue Expenditure	Budget	Final Outturn Spend	Cont. to Reserve	Variance
	£000	£000	£000	£000
Chief Executives	1,225	1,051	-	(173)
Governance	4,192	4,004	-	(188)
Place & Economy	23,729	20,046	539	(3,144)
People & Communities	85,091	81,816	192	(3,083)
Public Health	(188)	(1,097)	907	(3)
Resources	22,797	18,378	418	(4,001)
Customer & Digital Services	7,857	6,877	-	(980)
Business Improvement	1,050	1,016	-	(34)
Capital Financing	30,798	27,357	-	(3,440)
Total Expenditure	176,551	159,448	2,055	(15,048)
Financing	(173,317)	(176,038)	9,991	7,270
Net Expenditure	-	(16,590)	12,047	(4,543)

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), Note 16, page 48. This Note provides detail as to the purpose of each of the earmarked reserves.

Reserve Balances

The Council held General Fund and Earmarked reserves balances of £60.5m at 31 March 2022, however only £20.3m remains uncommitted and available for the transformation and

change programmes to support the delivery of a Future Sustainable Council.

A contribution to reserves of £10m relates to the Tax Income Risk Reserve and the Council holds £19m of Risk and Volatility Reserves, split into the following risk elements:

- A £12.3m Tax Income Risk Reserve of which the majority of this reserve is a result of timing differences due to Section 31 grants received to compensate the Council for the additional cost of providing the extended business rates relief to retail and nurseries, and Covid Additional Relief Funding (CARF). Although this is committed to support the collection fund deficit position within the revenue budget, there will be a residual balance on this reserve which will be held to mitigate the impact off any future collection deficits or smooth any adverse impact resulting from the Business Rates Reforms.
- A £4.7m Inflation Risk Reserve has been established to mitigate any immediate financial impact resulting from rising rates of inflation. This reserve will allow the Council to respond immediately to any financial risks because of rising rates of inflation while long term mitigations are developed.
- As detailed in the Tactical Budget a £2m Budget Risk Reserve has been established as mitigation to any materialisation of the risks of delivering savings proposals noted as very high and high risk in terms of saving delivery per the budget plan.

As at 31 March 2022, the balance on the General Fund is £7.3m compared with £6.0m at 31 March 2021. This £1.3m increase is

³ <https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4765>
(Agenda Item 12)

a contribution from the balance of the final outturn position of £4.5m.

In recognition of the transformation required to service delivery, in order to achieve financial sustainability a contribution to the Innovation Fund Reserve has been made. This increased by the reserve to £25.2m, with a contribution of £10.8m transferred from the former Covid-19 Funding Reserve that was set up in 2020/21. Commitments of £4.5m against the Innovation Fund Reserve have been made for 2022/23, leaving £21m to fund the delivery of strategic, operational, and financial requirements for future budget plans.

Departmental reserves balances have decreased from £5.4m to £4.8m to fund specific grant related projects. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m
- Integration Area Programme (integrated communities) £0.6m
- Controlled Migration Fund £0.4m
- Aragon Direct Services £0.5m
- Peterborough City College £1.3m

School's balances totalled £4.1m on 31 March 2022, compared with £4.7m on 31 March 2021. The Council has a mechanism for reviewing the level of reserves balances for schools and allows up to 8% of their delegated budget share to be held.

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 2021/22 under proper accounting practices (see page 17).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2021/22 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 38).

Both of these formats include comparative figures for 2021/22. 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 are required to be reported.

8. Capital and Treasury Position

The following table shows capital budgets as agreed for the 2021/22 MTFs of £146.8m including the Invest to Save Budgets of £13.5m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £164.9m. This compares to the final expenditure and how this investment is to be financed of £79.3m.

The revenue cost of financing the Council's borrowing totalled £16.2m in the year ending 31 March 2022, which matches the £16.2m in the year ending 31 March 2021 (see Note [27](#), page [63](#)).

Capital Expenditure	2021/22 MTFS Budget £000	2021/22 Revised Budget £000	2021/22 Final Outturn £000	Variance £000
Customer & Digital Services	2,500	4,028	2,017	(2,011)
People & Communities	46,129	50,982	36,975	(14,007)
Place & Economy	46,644	59,089	28,416	(30,673)
Resources	38,111	37,304	3,347	(33,957)
Invest to Save	13,500	13,540	8,521	(5,019)
Total	146,884	164,943	79,276	(85,667)
Financed by:				
Grants & Contributions	67,763	71,668	46,243	(25,425)
Capital Receipts	-	-	-	-
Borrowing	79,121	93,275	33,033	(60,242)
Total	146,884	164,943	79,276	(85,667)

Major projects which progressed during 2021/22 and included in the expenditure figures in the previous table are:

- Schools (including the new Manor Drive and St John Henry Newman school) - £32.9m
- Highways - £18.0m
- Fletton Quays Hotel loan - £8.4m
- Aragon fleet replacement - £6.9m

Capital expenditure has been financed by grants, third party contributions, and borrowing. Further information on capital financing can be found in the Borrowing and Investments section that follows, and in Notes 10 and 24, pages 32 and 55.

The Council has invested in housing, education, and regeneration within the city. The Council has over the past three years enabled the City to exceed its local plan target with an additional 1,247 new homes (32% above target). Other examples of regeneration across the city include:

- The Government has allocated £22.9m for the City of Peterborough for Towns Funds. A business case has been proposed to Government for the Creation of a Green Technology Centre (£2m) at Peterborough College and an Activity Centre (£1.5m) at Nene Park after receiving unanimous backing from the Peterborough Towns fund board. These are to be sent Government for approved funding in July 2022. Two smaller projects, that did not require a business case, have already had funding approved is the Embankment masterplan (£200k) and the Enterprise Hub (£190k).
- The Council is relocating the City Market to increase footfall and create a vibrant destination for shoppers. The Council is working with a specialist market development company to design and relocate the market with an opening date expected for the Summer of 2022, with the food court already launched in June 2022. The existing location of Northminster where the market was relocated from, will be developed into 300 affordable homes, and work on this began April 2022.
- Work on the new St John Henry Newman Roman Catholic Primary school and nursery began in September 2021. In keeping with Peterborough City Council's pledge to become carbon neutral by 2030, the authority is keen to adopt modern and environmentally friendly methods of construction. This unique project will see the school built off-site at EMB's Lean Manufacturing Facility in Hull, with modules then transported to site in phases for installation and assembly. This is the first new Catholic school to be built in the Country for more than 10 years. Completion on this is expected to be in September 2022.
- Construction of the city's new university began in 2020/21. The project is being led by the Cambridgeshire & Peterborough

Combined Authority, in collaboration with Peterborough City Council and Anglia Ruskin University (ARU) as the academic partner. The net assets of the Peterborough HE Property Company Ltd are £27m and the Council holds shares to the value of £3m in the company. The university is on track to open in 2022 and will boost the skills, training, and employment prospects of people in Peterborough and the surrounding region and increase the number of skilled workers available to local businesses. ARU Peterborough is set to open in September 2022 with 2,000 students, with numbers projected to rise to 5,000 by 2025 and 12,500 by 2030.

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 on 31 March 2022 the Council had net borrowings including cash and outstanding interest of £417.2m (£451.4m in 2020/21).

2020/21 £m		2021/22 £m
99.5	Short Term Borrowing	84.6
370.0	Long Term Borrowing	363.0
(18.1)	Investments	(30.4)
451.4	Net Borrowing	417.2

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 £33.0m, actual gross borrowing

decreased by £21.9m (net £34.2m decrease) during the year due to use of internal balances, to reduce the cost of borrowing in the short term.

This approach is consistent with the Council's Treasury Management Strategy to minimise interest costs, and / or cost of carry, by using the strength of the Council's balance sheet ie reserve cash balances, creditor payment timings, Covid-19 related grant income and Collection Fund tax collection.

9. Changes to Service Delivery and Operations

During the pandemic the Council's workforce has demonstrated how adaptable it is to different working practices, with most becoming completely agile and working from home in most cases. Following the relaxation of the social distancing rules in February 2022 the Council fully opened its offices and welcomed staff and customers back into its buildings again.

During 2021 the Council's Corporate Leadership Team has undergone a number of changes. These include:

- **Chief Executive Officer (CEO):** Gillian Beasley retired from her role as CEO at the end of December 2021, and Matt Gladstone started at the end of January 2022 as the newly appointed CEO.
- **Executive Director People & Communities:** Wendi Ogle-Welbourn the Cambridgeshire and Peterborough's Executive Director for People and Communities retired in January 2022. Charlotte Black was appointed as acting into this role in January 2022.
- **Corporate Director of Resources (Section 151 Officer):** Pete Carpenter resigned from this role in December 2021. Cecile Booth, a CIPFA Associate was appointed on an interim basis into this role in late January 2022.

- **Executive Director of Place & Economy:** Steve Cox left this role January 2022, with Adrian Chapman as acting as Executive Director for Place & Economy from February 2022. This role was previously shared with Cambridgeshire County Council, however this role is now solely focussed on Peterborough City Council.

Further changes to the Corporate Leadership Team are to be implemented during 2022. The Senior Leadership Organisational Change proposal was published for consultation in June 2022, with a nationwide recruitment campaign for some of these roles. This is the first step towards implementing a new Target Operating Model, which is being designed in parallel to the second phase of the Corporate Strategy, the development of a strategic performance framework and the Medium-Term Financial Plan for 2023/24-2025/26.

Independent Improvement and Assurance Panel (IIAP)

Following the publication of two independent reports that make up the External Assurance Review of Peterborough City Council, the Minister of State for Equalities and Levelling Up Communities requested the Council establish an Improvement and Assurance Panel of non-executive advisers, to remain in place for two years to advise on and provide a regular six-monthly commentary for the Council on the progress with its improvement plan.

The purpose of the Panel is to:

- Provide external advice, challenge and expertise to the Council in driving forward the development and delivery of their Improvement Plan
- Provide assurance to the Secretary of State of the Council's progress on delivery of their Improvement Plan
- Provide four monthly reports to the Council on the progress of the delivery of the Improvement Plan.

The IIAP comprises of Independent External Members:

- **Eleanor Kelly** - Chair
- **Chris Buss** - Finance
- **Andrew Flockhart** - Governance
- **Chris Naylor** - Service
- **Clive Heaphy** - Assets, Contracts and Companies
- **Rachel Litherland** – Local Government Association
- **Cllr Wayne Fitzgerald** - Leader of the Council
- **Matt Gladstone** - Chief Executive

10. Risks, Challenges and Mitigating Action

The Risk Management Board, led by the Interim Corporate Director 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 CLT, with mitigating actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Risks which have been identified 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. These services have faced an increasing demand in recent years due to a rising population, the impact Covid-19 and changes to the economy. The performance in these services are closely monitored by CLT.
- **Financial resilience** – there is the risk that Council has insufficient reserve balances to withstand further budget

pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency situation. The CLT are progressing a work outlined in the Improvement Plan to support the development of a financially sustainable position.

- **Savings delivery** – the Council recognises its Savings programme within the budget is challenging, despite this it is committed to the delivery of current and future plans. These are monitored by a savings board and reported to CLT, CPF, FSWG and IIAP on a monthly basis, in addition to a £2m budget risk reserve, to mitigate the budgetary impact of any slippage in delivery in 2022/23.
- **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 and planning. There is a risk that collection rates could decline, or growth assumptions built into the budget are too ambitious. Provisions 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 funding reforms** – uncertainty remains regarding the future funding model for all Councils. This creates a challenge when assessing available resources the Council has to be able to deliver services and inform the plans for the medium-term financial strategy.
- **Adult Social Care Reforms** - a [report](#) by the County Councils Network outlines that it could cost £10bn more to implement than Government predictions with the operational impacts resulting in 200,000 more assessments per annum nationally. This equates to a 39% increase in social workers and 25%

increase in financial assessors. This could result in a significant rise in costs in the future for the Council.

- **Inflation and the economy** - the May 2022 OBR forecast outlines inflation rates of 9%, with other sources such as the Bank of England indicating this could rise further still before the end of 2022/23. This is likely to have an impact on the Council's expenditure and is likely to effect income generation. This is being closely monitored, with scenarios considered as part of the in year monitoring and future financial planning processes.

11. Strategy for Future Sustainability

Overview

The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. Despite this financial context the Council has continued to provide vital services, whilst at the same time managing demand and keeping expenditure low.

In recent years the Council has subjected its financial strategy to rigorous external financial examination and has implemented a series of enhanced expenditure controls and undertaken a number of reviews supported by external advisors such as Grant Thornton and the Local Government Association. However as a result of increased uncertainty cause through the resulting impact of the pandemic discussions with DLUHC were initiated resulting in a request for Exceptional Financial Support (EFS) in order to balance the budget for 2021/22.

Financial reviews on behalf of DLUHC led to the development of an Improvement Plan to drive further transformation and

redesign of service delivery in order to become financially sustainable in the future.

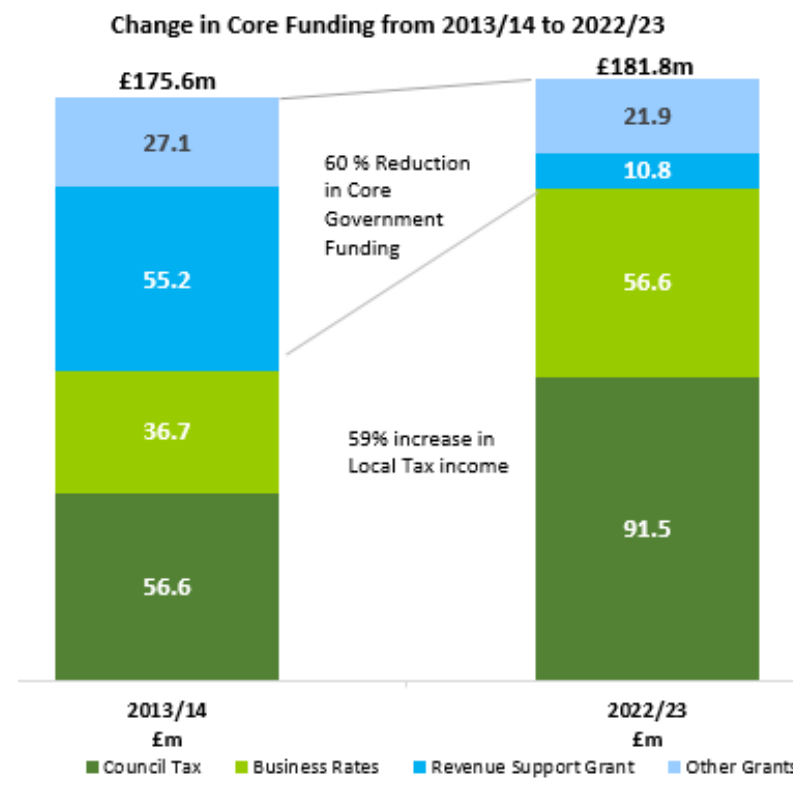
During 2021/22 the Council has been able to amend the financial strategy so that it was no longer reliant on the EFS funding. This has been achieved through a combination of the following:

- The increase in Covid-19 related demand has not materialised in the timescales originally estimated
- Timely management action to mitigate budgetary pressures experienced in year ie parking income losses
- Implementation of 2022/23 savings proposals has enabled savings to be achieved in the current financial year
- The introduction of moratorium on all non-essential expenditure for revenue and capital expenditure

Tactical budget

The Council approved a balanced budget for 2022/23⁴ at Council on 2 March 2022 which addresses the £26.8m budget gap, and is not reliant on additional government support. This was achieved through the identification of £18.8m savings, recognition of £5.1m of pressures and investments, £12.4m of additional funding, and the strategic use of £1m reserves.

The following diagram illustrates the components of the Council's income resources for 2022/23, and how these compare against the Council's income levels from 2013/14. This shows the how the risk profile of the Council's income streams have changed over time, creating additional uncertainty in the Council's funding envelope.



The Council approved an increase to council tax by 2.99% in 2022/23, which includes a general increase of 1.99% and an Adult Social Care precept of 1.0%. This was one of the measures announced as part of the Spending Review 2021 and confirmed within the referendum limits included in the Local Government provisional finance settlement in December 2021. The Council has a greater reliance on Council Tax funding compared to nine years ago. In 2013/14 £56.6m of Council Tax income was

⁴ [MTFP 2022/23 Report- 2 March 2022 Council](#)

generated, this has increased to £91.5m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

Revenue Support Grant (RSG), was increased by £0.3m,, to £10.8m in 2022/23. 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 much smaller proportion of the Council's core funding.

Business rates income base has grown significantly over recent years, and has continued to grow even over the Covid-19 pandemic. The City has seen continued economic and business growth, which is reflected in the creation of new businesses. The Council has benefited from £3m of income in 2021/22 as a result of the continuation of the Business Rates Pool 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 in the pool. The pooling arrangements will continue in 2022/23, with the Council expecting to receive £2.5m.

Other grants received include social care grants and Improved Better Care Fund, which have been increasing but not at the same rate as the increase in service demand, and New Homes Bonus (NHB), an incentive-based grant to reward local authorities for the development of new housing. The level of NHB to be received by the Council remains uncertain beyond 2022/23, with confirmation of a future scheme expected ahead of the Local Government Finance Settlement in December 2022.

Strategy

Although its financial position has much improved for the Council its financial stability is not yet guaranteed. The medium-term financial plan outlined a tactical balanced budget for 2022/23, which is realistic, deliverable, albeit very challenging.

A new, challenging medium-term financial strategy is to be considered in the Autumn 2022, and will be the start of achieving financial stability and sustainability, putting the Council in a position where the City can grow and prosper. .

12. Conclusion

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 2021/22 and still continue to face. The willingness to go above and beyond has never been more apparent, staff have adapted quickly and professionally to a new strategic direction for the Council with the change of senior leadership. I would also like to extend my gratitude to the individual volunteers and organisations that have continued to work 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.

Cecilie Booth

Interim Director of Corporate Resources

Independent Auditors' Report to the Members of Peterborough City Council

To be added following conclusion of audit – March 2023

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 the Statement of Accounts for the year ended 31 March 2022.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

Chris Brooks

Date:

July 2022

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 17 to 107 present a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Director of Corporate
Resources:

Date:

Cecilie Booth

July 2022

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

2020/21			2021/22				
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 21)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
741	-	741	Business Improvement		1,155	-	1,155
1,876	(561)	1,315	Chief Executives		1,996	(689)	1,307
8,597	(1,809)	6,788	Customer & Digital Services		11,358	(1,272)	10,086
4,960	(792)	4,168	Governance	4	5,707	(1,176)	4,531
277,070	(183,967)	93,103	People & Communities	1, 2, 6	316,653	(219,474)	97,179
57,890	(20,115)	37,775	Place & Economy		59,711	(18,503)	41,208
12,257	(12,717)	(460)	Public Health	6	15,947	(16,927)	(980)
76,908	(62,384)	14,524	Resources	2	74,717	(61,792)	12,925
440,299	(282,345)	157,954	Cost of Services		487,244	(319,833)	167,411
26,496	(7,449)	19,047	Other Operating Income & Expenditure	9	6,396	(2,724)	3,672
43,105	(5,125)	37,980	Financing & Investment Income & Expenditure	10	52,702	(34,856)	17,846
2,726	(191,472)	(188,746)	Taxation & Non-Specific Grant Income & Expenditure	11	3,139	(195,135)	(191,996)
512,626	(486,391)	26,235	(Surplus) / Deficit on Provision of Services	14	549,481	(552,548)	(3,067)
		(4,610)	(Surplus) / Deficit on Revaluation of Non-Current Assets	15,17			(12,572)
		88,115	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			(98,963)
		83,505	Other Comprehensive Income & Expenditure				(111,535)
		109,740	Total Comprehensive Income & Expenditure				(114,602)

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 41.

Movement in Reserves during 2020/21 and 2021/22	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 2020</i>	15	(5,112)	(3,159)	(27,464)	-	(958)	(36,693)	188,475	151,782
<i>Total Comprehensive Income & Expenditure</i>		27,707	(1,562)	-	-	-	26,145	83,505	109,650
<i>Adjustments between accounting basis & funding basis under regulations</i>		(61,241)	-	-	-	(2,527)	(63,768)	63,768	-
<i>Net Increase / Decrease before Transfers to Earmarked Reserves</i>		(33,535)	(1,562)	-	-	(2,527)	(37,624)	147,274	109,650
<i>Transfers to / (from) Earmarked Reserves</i>		32,647	-	(32,647)	-	-	-	-	-
<i>(Increase) / Decrease in 2020/21</i>		(888)	(1,562)	(32,647)	-	(2,527)	(37,624)	147,274	109,650
<i>Restated Balance at 31 March 2021 Carried Forward</i>		(6,000)	(4,721)	(60,111)	-	(3,485)	(74,317)	335,749	261,432
Balance at 1 April 2021		(6,000)	(4,721)	(60,111)	-	(3,485)	(74,317)	335,749	261,432
<i>Total Comprehensive Income & Expenditure</i>		(3,663)	596	-	-	-	(3,067)	(111,535)	(114,602)
<i>Adjustments between accounting basis & funding basis under regulations</i>		9,285	-	-	-	(2,656)	6,629	(6,629)	-
<i>Net Increase before Transfers to Earmarked Reserves</i>		5,622	596	-	-	(2,656)	3,562	(118,164)	(114,602)
<i>Transfers to / (from) Earmarked Reserves</i>		(6,923)	-	6,923	-	-	-	-	-
(Increase) / Decrease in 2021/22		(1,301)	596	6,923	-	(2,656)	3,562	(118,164)	(114,602)
Balance at 31 March 20221 Carried Forward		(7,301)	(4,125)	(53,188)	-	(6,141)	(70,755)	217,585	146,830

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

31 March 2021	Balance Sheet	Notes	31 March 2022
£000			£000
552,187	Property, Plant & Equipment	17	581,042
21,823	Investment Property	18	38,597
5,971	Intangible Assets	19	6,381
1,870	Long term Investment	27	2,993
5,183	Long term Debtors	27, 28	1,976
587,034	Long Term Assets		630,989
466	Inventories	30	568
106,002	Short Term Debtors	31	87,319
18,184	Cash & Cash Equivalents	38	30,768
-	Assets Held for Sale	20	5,500
124,652	Current Assets		124,155
(98,423)	Short Term Borrowing	27	(88,042)
(110,580)	Short Term Creditors	32	(136,191)
(9,445)	Provisions	33	(4,615)
(218,448)	Current Liabilities		(228,848)
(314,388)	Long Term Creditors (Pension Liability)	7	(238,372)
(456)	Provisions	33	(352)
(374,587)	Long Term Borrowing	27	(362,959)
(43,619)	Other Long Term Liabilities	27,28	(42,450)
(21,620)	Capital Grants Receipts in Advance	34	(28,993)
(754,670)	Long Term Liabilities		(673,126)
(261,432)	Net (Liabilities) / Assets		(146,830)
(74,317)	Usable Reserves	15	(70,755)
335,749	Unusable Reserves	15	217,585
261,432	Total Reserves		146,830

Cecilie Booth – Interim Director of Corporate Resources

July 2022

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.

2020/21 £000	Cash Flow Statement	Notes	2021/22 £000
23,258	Net (Surplus) / Deficit on the Provision of Services		(5,893)
(110,231)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(91,044)
25,380	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(5,322)
(61,593)	Net Cash Flows from Operating Activities		(102,259)
38,722	Investing Activities	36	68,873
15,124	Financing Activities	37	20,802
(7,747)	Net (Increase) / Decrease in Cash & Cash Equivalents		(9,066)
10,437	Cash & Cash Equivalents at the Beginning of the Reporting Period		18,184
7,747	Increase / (Decrease) in Cash and Cash Equivalents		12,584
18,184	Cash & Cash Equivalents at the end of the Reporting Period	38	30,768

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2021/22 and for the previous financial year are as follows:

Schools Budget Funded by Dedicated Schools Grant 2021/22	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2021/22 before Academy and high needs recoupment			(242,241)
Academy and high needs figure recouped for 2021/22			147,071
Total DSG after Academy and high needs recoupment for 2021/22			(95,170)
Brought forward from 2020/21			(3,233)
Agreed initial budgeted distribution in 2021/22	(44,869)	(53,534)	(98,403)
In year adjustments	157	-	157
Final budgeted distribution for 2021/22	(44,712)	(53,534)	(98,246)
Less actual central expenditure	41,534	-	41,534
Less actual ISB deployed to schools	-	53,534	53,534
Carry Forward to 2022/23	(3,178)	-	(3,178)
Total amount carried forward			(3,178)

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 2022. 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 2020/21	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2020/21 before Academy and high needs recoupment			(223,518)
Academy and high needs figure recouped for 2020/21			134,042
Total DSG after Academy and high needs recoupment for 2020/21			(89,476)
Brought forward from 2019/20			(3,398)
Carry forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	(41,194)	(51,680)	(92,874)
In year adjustments	277	-	277
Final budgeted distribution for 2020/21	(40,917)	(51,680)	(92,597)
Less actual central expenditure	37,684	-	37,684
Less actual ISB deployed to schools	-	51,680	51,680
Carry Forward to 2021/22	(3,233)	-	(3,233)
Total amount carried forward			(3,233)

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. The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust.

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 Better Care Fund that the Cambridgeshire and Peterborough Clinical Commissioning Group and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group sets out contribution levels and performance measurements. The Better Care Fund value for 2021/22 was £16.0m (2020/21 £14.9m) of which £8.1m is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement. The remaining, non-pooled fund element is made up of £2.2m directly received capital funding and £5.7m retained by Cambridgeshire and Peterborough Clinical Commissioning Group.

Learning Disability Services

The Council has a S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2021/22 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 Comprehensive Income and Expenditure Statement of £0.9m (2020/21 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2021/22 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 (2020/21 £0.4m) to this pooled partnership

is shown in the People & Communities line in the Comprehensive Income and Expenditure Statement.

Mental Health Services

The Council has a S75 agreement with Cambridgeshire and Peterborough NHS Foundation Trust which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this pooled partnership of £1.4m (2020/21 £1.4m) is shown in the People & Communities line in the Comprehensive Income and Expenditure Statement.

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).

2020/21* £000	External Audit Costs	2021/22 £000
251	Fees payable with regard to external audit services carried out by the appointed auditor	211
-	Other services provided by the appointed auditor	-
251	Total	211

* 2020/21 figures have been restated to reflect the final payment previously stated at £174k

The increase in fees is contained in the EY 'Audit Results Report' which has been considered at Audit Committee. On page 50 of the Audit Plan are the details of the increase in the fee based on the additional procedures required in response to the additional risks identified in respect of:

- Accounting for Covid-19 related Government Grant Income
- Business Rates Appeals Provision and Other Bad Debt Provisions
- Liaising with non-EY Group Auditor

- Increased responsibilities under ISA540 – Accounting Estimates
- Audit adjustments and control weaknesses identified during the audit, particularly on asset valuations
- Changes to the NAO Code for Value for Money Arrangements
- Engagement with EY specialists in relation to PPE valuations, Pensions, Minimum Revenue Provision (MRP) and Going Concern
- Value for Money significant weaknesses procedures, including use of corporate finance specialists.

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 during the year.

2020/21 £000	Member’s Allowances	2021/22 £000
856	Allowances	859
-	Expenses	-
856	Total	859

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £0.3m (2020/21 £0.2m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

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

2020/21 £000	Termination Benefits	2021/22 £000
-	Customer & Digital Services	9
-	Governance	71
148	People & Communities	30
67	People & Communities (Schools)	136
6	Place & Economy	48
221	Total	294

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 £000	Voluntary £000	Total £000	Pension Strain inc. in total* £000
-	18	18	£0 - £19,999	-	182	182	-
-	5	5	£20,000 - £39,999	-	111	111	21
-	23	23	Total	-	293	293	21
<i>Termination and Exit Packages 2020/21</i>							
-	22	22	£0 - £19,999	-	141	141	2
-	3	3	£20,000 - £99,999	-	80	80	-
-	25	25	Total	-	221	221	2

* 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 2021/22 the Council paid £6.1m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7%. The figures for 2020/21 were £6.0m and 23.7% of pensionable pay.

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 2021/22 the Council paid £82k to NHS Pensions in respect of employee's retirement benefits, representing 22.4% of pensionable pay. The figures for 2020/21 were £109k and 22.4%.

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.

2020/21 £000	Comprehensive Income & Expenditure Statement	2021/22 £000
	Cost of Services:	
132	Pension Adjustments	(1)
6	2019/20 Interest Income Adjustment	-
18,304	Current service cost	28,950
104	Past service cost	5
(5,488)	Effect of settlements	-
	Financing & Investment Income & Expenditure	
(10,609)	Interest Income on Scheme Assets	(11,651)
15,731	Interest Cost on Defined Benefit Obligation	18,100
18,180	Total post-employment benefit charged to the Deficit on the Provision of Services	35
	Other employment benefit charged to the CIES	
2,551	2019/20 Pension Adjustments	-
(104,951)	Return on plan assets (excluding the amount included in the net interest expense)	(33,407)
10,973	Actuarial gains and losses arising on changes in demographic assumptions	(4,590)
187,216	Actuarial gains and losses arising on changes in financial assumptions	(62,537)
(7,288)	Other Experience	1,372
386	Adjustment to actuarial estimate contribution	198
88,115	Total Remeasurements Recognised in CIES	(98,963)
106,295	Total post-employment benefit charged to the CIES	(63)
	Movement in Reserves Statement	
(106,295)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	63,560
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,397	Employer's contributions payable to scheme	12,454
(92,898)	Total Movement in Reserves Statement	76,014

31 March 2021 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2022 £000
584,461	Fair Value of Employer Assets	626,439
2	Pension Adjustment to Correct Brought Forward	-
(877,923)	Present Value of Funded Liabilities	(845,674)
(20,926)	Present Value of Unfunded Liabilities	(19,137)
(314,386)	Total net liability	(238,372)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £238m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 15, page [Error! Reference source not found.](#)[Error! Reference source not found.](#)[Error! Bookmark not defined.](#) However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2021 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2022 £000
460,698	Opening fair value of Scheme Assets	584,461
(2,562)	2019/20 Adjustment to Fair Value of the Scheme Assets	-
10,609	Interest Income	11,651
104,951	Return on plan assets, excluding the amount included in the net interest expense	33,407
(3,743)	Effect of Settlements	-
13,397	Contributions from Employer	12,454
386	Adjustment for Actuarial estimated Employer Contributions	(198)
3,460	Contributions from Employees	3,596
15,393	Effect of Business Combinations and Disposals	-
(18,128)	Benefits Paid	(18,932)
584,461	Closing Fair Value of Scheme Assets	626,439

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 2021 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2022 £000
682,186	Opening Liability at 1 April	898,849
129	2019/20 Adjustment to Present Value of the Scheme Liabilities	-
18,304	Current Service Cost	28,950
15,731	Interest Cost	18,100
3,460	Contributions from Scheme Participants	3,596
15,393	Effect of Business Combinations and Disposals	-
187,216	Actuarial gains/losses arising from changes in financial assumptions	(62,537)
10,973	Actuarial gains/losses arising from changes in demographic assumptions	(4,590)
(7,288)	Other experience	1,372
(9,231)	Liabilities Extinguished on Settlements	-
104	Past Service Costs including curtailments	3
(18,128)	Benefits Paid	(18,932)
898,849	Closing Liability at 31 March	864,811

In line with the Accounting Standard, the 'Actuarial gains/losses arising from changes in financial assumptions in the table above is identified separately in the Pensions Note. As at the Accounting Date, the net discount rate (discount rate net of inflation) has increased compared to the previous year's Accounting Date. The discount rate assumption has increased by more than the increase in the CPI assumption. In isolation, this will result in a gain on the balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a medium duration LGPS employer, this could be of the order of 6-8% of obligations. 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 2021 £000	Local Government Pension Scheme Assets comprised	31 March 2022 £000
23,591	Debt Securities – Government Bonds	30,743
35,646	Real Estate	43,993
54,406	Private Equity	66,858
(6,914)	Derivatives	1,268
	Investment Funds and Unit Trusts	
347,947	Equities	361,163
64,688	Bonds	66,583
49,040	Infrastructure	49,774
568,404	Sub-total Investment Funds and Unit Trusts	620,382
16,057	Cash and Cash Equivalents	6,057
584,461	Total Assets	626,439

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

31 March 2021	Mortality Assumptions	31 March 2022
	Longevity at 65 for Current Pensioners:	
22.0	Men (years)	22.2
24.4	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
23.2	Men (years)	22.9
26.2	Women (years)	26.0
	Financial Assumptions	
2.9%	Rate of increase in pensions	3.2%
3.4%	Rate of increase in salaries	3.7%
2.0%	Rate for discounting scheme liabilities	2.7%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
64.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	64.0%

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 2021/22 Actuarial Report.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the Mortality Assumptions table. 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 2022/23 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 disclosed by way of explanation text in this note.

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 2021/22 was approved on 3 March 2022.

2020/21			Remuneration Band	2021/22		
No. of Employees				No. of Employees		
Non Schls	Schls	Total		Non Schls	Schls	Total
45	42	87	£50,000 - £54,999	47	40	87
36	25	61	£55,000 - £59,999	28	24	52
6	8	14	£60,000 - £64,999	9	10	19
8	3	11	£65,000 - £69,999	9	8	17
6	4	10	£70,000 - £74,999	3	4	7
6	5	11	£75,000 - £79,999	6	10	16
2	3	5	£80,000 - £84,999	2	3	5
5	6	11	£85,000 - £89,999	4	4	8
3	3	6	£90,000 - £94,999	5	2	7
3	1	4	£95,000 - £99,999	3	3	6
-	-	-	£100,000 - £104,999	2	-	2
1	3	4	£105,000 - £109,999	1	1	2
1	-	1	£110,000 - £114,999	1	2	3
-	-	-	£115,000 - £119,999	2	1	3
1	-	1	£120,000 - £124,999	1	-	1
2	1	3	£125,000 - £129,999	-	1	1
1	1	2	£130,000 - £134,999	2	-	2
-	-	-	£135,000 - £139,999	-	2	2
1	-	1	£150,000 - £154,999	1	-	1
-	-	-	£155,000 - £159,999	1	-	1
1	-	1	£170,000 - £174,999	1	-	1
-	-	-	£185,000 - £189,999	1	-	1
-	-	-	£195,000 - £199,999	-	1	1
-	-	-	£210,000 - £214,999	1	-	1
-	-	-	£220,000 - £224,999	1	1	2
128	105	233	Total	131	117	248

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 2021/22.

Post Holder	Year	PCC Salary Cost ¹	Election duties ³	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ⁴	Total Remuneration (inc. Pension contributions)	Actual Final Cost to PCC ²
Chief Executive: Matt Gladstone Started: 31 January 2022	2021/22	£34,117	-	£34,117	£5,240	£39,357	£39,357
Chief Executive: G Beasley Left Post: 31 December 2021	2021/22	£147,401	£10,000	£157,401	£22,306	£179,707	£94,854
	2020/21	£173,596		£173,596	£29,560	£203,156	£101,578
Acting Chief Executive/Corporate Director: People & Communities: W Ogle-Welbourn Left Post: 31 January 2022	2021/22	£145,985	£1,068	£147,052	-	£147,052	81,691
	2020/21	£153,898	£1,710	£155,608	-	£155,608	£78,659
Corporate Director: Resources * Left Post: 31 December 2021	2021/22	£185,014	£1,068	£186,081	£16,972	£203,053	£203,053
	2020/21	£129,893	£1,960	£131,853	£22,601	£154,455	£154,455
Executive Director Place & Economy Started Post 1 February 2022	2021/22	£24,712	-	£24,712	£3,838	£28,550	£28,550
Assistant Director of HR and Development	2021/22	£95,812	£2,635	£98,447	£17,115	£115,562	£115,562
	2020/21	£86,304	£3,372	£89,675	£15,013	£104,688	£104,688
<ol style="list-style-type: none"> 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. Election duties are excluded from recharge costs relating to shared posts The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund. 							

* The CIPFA Code of Practice on Local Authority accounting requires a disclosure on Exit Packages analysed between Compulsory Redundancies and Other Departures. The Council incurred a cost of £38,000 under Other Departures.

Notes to the Senior Employees Remuneration table

A - The costs of the Chief Executive to 31 December 2021 and Corporate Director: People & Communities to 31 January 2022 were 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 an agreed percentage 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 next table.

B - 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.

C – The Corporate Director of Resources resigned with effect from 31 December 2021 and the post has been filled by an Interim from the 26 January 2022 at a cost of £58,280 to 31 March 2022.

The following table shows 50% of the costs of the Directors who are employed and shared with CCC which are subsequently recharged except for Director of Public Health which is recharged at 24%.

Post Holder	Year	Total PCC Recharged Costs
Director of Public Health*	2021/22	£34,621
	2020/21	£33,000
Director of Governance	2021/22	£71,972
	2020/21	£68,445
Executive Director of Place & Economy**	2021/22	£86,526
	2020/21	£103,204
Director of Customer & Digital Services	2021/22	£90,689
	2020/21	£78,669
Director of Business Improvement & Development (Left April 2022)	2021/22	£93,813
	2020/21	£88,052

* Started post 4 June 2021

**Left post 28 January 2022

Changes to Shared Posts Arrangements with CCC

Following a review of the Council's Corporate Leadership structure a consultation document has been published which sets out proposals regarding the ending of some of the shared service arrangements the Council have with CCC, as well as changes to the corporate leadership structure to create an appropriate and sustainable model to take the Council forward. The consultation closes on 30 June 2022, with the aim of implementing a new structure in September 2022.

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

2020/21	Other Operating Income & Expenditure	2021/22
£000		£000
698	Parish Council Precepts	657
680	Drainage & Flood Levies	703
3,850	Integrated Transport Authority Levy (Note 12)	3,794
21,268	Losses on Disposal of Non-Current Assets	1,242
(6,899)	Gains on Disposal Of Non-Current Assets	(1,151)
(550)	Gains on Former Right To Buy Assets	(1,573)
19,047	Total	3,672

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

2020/21	Financing & Investment Income & Expenditure	2021/22
£000		£000
18,198	Interest Payable & Similar Charges (Note 27)	18,035
(1,553)	Interest Receivable & Similar Income (Note 27)	(792)
(2,161)	Other Investment Income	(227)
5,128	Pension Interest Cost & Expected Return on Pension Assets (Note 7)*	6,449
4,846	Losses on Trading Operations	4,573
(3,590)	(Gains) on Trading Operations	(4,490)
(194)	Gains in Fair Value of Investment Properties (Note 18)	(9,335)
1,944	Impairment and Derecognition of Current Assets and Long Term Debtors	23,899
-	Recognition of Default Asset	(20,400)
15,362	De-recognition of Subsidiary Assets	134
37,980	Total	17,846

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

2020/21		2.3
£000		£000
(82,683)	Taxation & Non-Specific Grant Income	(87,406)
(1,586)	Council Tax Income	(3,030)
263	Business Rates Pool	675
2,463	NDR Levy Payment	2,464
(24,611)	NDR Tariff Payment	(45,408)
(106,154)	Total Taxation Income	(132,705)
(10,413)	Non- Specific Government Grants	
(4,701)	Revenue Support Grant	(10,471)
(25,180)	New Homes Bonus	(3,054)
(3,713)	Section 31 Grants and other grants	(16,315)
(2,302)	Sales Fees and Charges	(1,098)
(13,333)	Tax Income Guarantee Scheme	(69)
(59,642)	Covid-19 Response Fund	(6,365)
(22,950)	Total General Government Grants	(37,372)
(188,746)	Capital Grants & Contributions	(21,919)
	Total Income	(191,996)

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, COVID relief payments 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 available for public inspection at the Town Hall by request 2020/21 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2021/22 is shown in Note 4.

Members have been consulted over potential related parties and the Councillors below 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 W Fitzgerald is noted as a person with significant control of CAP – Radio Production and Media Buying Services Ltd which the Council paid £9k for COVID-19 related services during 2021/22.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £83k in grants and for services during 2021/22.
- Cllr M Cereste is a Director of Tower Properties (Peterborough) Ltd to which the Council paid £8k for the repairs and occupancy costs of residential properties in 2021/22.
- Cllr M Farooq received £20k from the Council for the lease of residential properties in 2021/22.
- Cllr I Walsh received £6k from the Council for the lease of a residential property in 2021/22.
- Cllr A Ali, Cllr S Nawaz and Cllr K Yurgutene are board member and directors of Gladstone Connect Ltd to which the Council paid £16k in grants and for services during 2021/22.

Members and officers are appointed by the council as representatives to its group companies and 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 ([ListOutsideBodiesByCategory](#)) and is also available for public inspection at the Town Hall by request. The only significant transactions that have taken place with these bodies during 2021/22 which are not disclosed elsewhere are with City Culture Peterborough.

City Culture Peterborough Ltd

City Culture Peterborough Ltd was established on 24 August 2020 and was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. It operated services on behalf of the Council through a Service Level Agreement. During 2021/22 the Council paid £2m (2020/21 £1m) for services provided by City Culture Peterborough Ltd. From 1 April 2022 these services transferred to Peterborough Ltd apart from the Key Theatre which is now operated by Selladoor.

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 East Cambridgeshire District Council
- CCTV services to Fenland District Council

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 shared its Chief Executive with Cambridgeshire County Council (CCC) until 31 December 2021, Throughout the year other senior staff and a range of services were also shared with (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 2021/22 the Council paid £19.1m to CCC (2020/21 £14.0m) and received £5.8m from CCC (2020/21 £5.9m).

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. The Council has been providing Finance Systems services to support CPCA. During 2021/22 the Council received £7.2m from CPCA for services provided, costs incurred and grants (£11.2m 2020/21).

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 to 30 September 2020 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity but from 1 October 2020 the cultural services and management of the Charity were transferred to City Culture Peterborough Ltd. 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 2021/22 £9k was raised (2020/21 there was no fundraising activity due to restrictions in place).

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, Joint Ventures and associated companies. 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 £142k (2020/21 £196k) and it made a loss in year of £55k (2020/21 loss of £57k). The Council made a funding contribution to the company of £140k (2020/21 £140k).

Blue Sky Peterborough Limited

Blue Sky Peterborough Limited is a 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 2022 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 2022 are £1.2m (£1.3m in 2020/21) and the Partnership made a net loss in year

of £171k (net profit in 2020/21 of £98k). During 2021/22 the Council paid £5k for services (2020/21 £25k) from the Partnership and received £18k in 2021/22 for services (2020/21 £94k).

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. ECS Peterborough 1 LLP entered Administration on 12 November 2021 and following the conclusion of this process the Empower Community Interest Company will also be wound up.

The net liabilities of the company are estimated at £35k (2020/21 £35k) and it made an estimated loss in year of £0k (2020/21 loss of £46k).

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 £710k (2020/21 £546k) and it made a profit in year of £164k (2020/21 profit of £163k). During the year, the Council spent £1.7m on services with the company (2020/21 £2.2m) and received £281k for services (2020/21 £255k).

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 £917k (2020/21 £483k) and it made a profit of £434k (2020/21 profit of 323k). During 2021/22 the Council made no further capital grants to Medesham Homes LLP for the provision of homes for affordable rent (2020/21 £400k) and received £77k for services, (2020/21 received £16k for services).

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 HE Property Company Ltd

Peterborough HE Property Company Ltd is a joint venture company of Peterborough City Council. The company was incorporated on the 19 June 2020 and the Council received £1.9m Ordinary B shares on the 23 December 2020. In March 2022 the Council received a further allocation of £20m unpaid shares from which £1,12m were paid for on 31 March 2022. Until 28 March 2022 the company had a board of four directors, on which the Council had one representative director who was appointed on the 23 December 2020. From 28 March 2022 an additional director was appointed to the board to represent the Council, giving it equal voting rights to the Cambridgeshire and Peterborough Combined Authority, with ARU Peterborough continuing to be represented by one director. The Company is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough.

The net assets of the company are £25.7m (2020/21 £26.4m) and it made a net loss in the year of £220k (2020/21 £314k)

Peterborough Limited

Peterborough Limited is a wholly owned subsidiary of Peterborough City Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and Peterborough Ltd, using the Vivacity branding to deliver Leisure 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 107 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.

Expenditure Chargeable to the General Fund	2020/21		Net Expenditure in the CIES	Expenditure and Funding Analysis (EFA)	Notes (From Page 21)	2021/22		Net Expenditure in the CIES
	Adjustments between the Funding and Accounting Basis (Note 15)	£000				£000	Expenditure Chargeable to the General Fund	
£000	£000	£000	£000			£000	£000	£000
691	50	741	741	Business Improvement		1,016	139	1,155
1,220	95	1,315	1,315	Chief Executives		1,051	256	1,307
6,629	159	6,788	6,788	Customer & Digital Services		6,876	3,210	10,086
3,926	242	4,168	4,168	Governance	4	4,004	527	4,531
79,229	13,875	93,104	93,104	People & Communities	1, 6	82,198	14,981	97,179
22,639	15,135	37,774	37,774	Place & Economy		20,177	21,031	41,208
(495)	35	(460)	(460)	Public Health	6	(1,097)	117	(980)
44,488	(29,964)	14,524	14,524	Resources	2	45,673	(32,748)	12,925
158,327	(373)	157,954	157,954	Cost of Services		159,898	7,513	167,411
(193,425)	61,615	(131,810)	(131,810)	Other Income & Expenditure	9, 10, 11	(153,679)	(16,799)	(170,478)
(35,098)	61,242	26,144	26,144	(Surplus) / Deficit on Provision of Services		6,219	(9,286)	(3,067)
		(35,735)	(35,735)	Opening General Fund Balance	15	(70,833)		
		(35,098)	(35,098)	Less/Plus (Surplus) or Deficit on General Fund Balance in Year		6,219		
		(70,833)	(70,833)	Closing General Fund Balance*	15	(64,614)		

Adjustments for Capital Purposes ¹	2020/21			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes ¹	2021/22			Total Adjustments
	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	£000
-	44	6	50	Business Improvement	-	136	3	139	
-	87	8	95	Chief Executives	-	262	(6)	256	
-	123	36	159	Customer & Digital Services	2,674	552	(16)	3,210	
-	192	50	242	Governance	-	550	(23)	527	
9,993	4,696	(814)	13,875	People & Communities	5,269	12,928	(3,216)	14,981	
15,617	455	(937)	15,135	Place & Economy	20,980	1,274	(1,223)	21,031	
-	32	3	35	Public Health	-	123	(6)	117	
28,270	(5,974)	(50,986)	(28,690)	Resources	(11,498)	674	(21,924)	(32,748)	
53,880	(345)	(52,634)	901	Cost of Services	17,425	16,499	(26,411)	7,513	
(22,931)	5,128	80,013	62,210	Other income and expenditure from the EFA	(32,827)	6,449	9,579	(16,799)	
30,949	4,783	27,379	63,111	Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services	(15,402)	22,948	(16,832)	(9,286)	

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	2020/21		Segmental analysis of certain Items of Income and Expenditure shown net in the EFA	2021/22	
	Interest Revenue £000	Interest Expense £000		Revenues from External Customers £000	Interest Revenue £000
-	-	-	Business Improvement	-	-
(250)	-	-	Chief Executives	(325)	-
(1,806)	-	-	Customer & Digital Services	(1,272)	-
(710)	(4)	311	Governance	(843)	-
(49,490)	5	8	People & Communities	(58,163)	(4)
(12,243)	-	-	Place & Economy	(13,753)	2
(727)	(1,554)	17,878	Public Health	(1,524)	-
(10,425)	-	-	Resources	(14,902)	(790)
(75,651)	(1,553)	18,197	Total in Cost of Services	(90,782)	(792)
					18,036

2020/21 £000	Expenditure & Income Analysed by Nature	2021/22 £000
	Expenditure	
107,495	Employee Expenses	127,144
12,303	Employee Expenses (Voluntary Aided and Foundation Schools) ¹	13,990
338,773	Other Service Expenses	358,191
30,540	Depreciation, Amortisation & Impairment	26,966
18,197	Interest Payments (Note 10)	18,036
5,228	Precepts & Levies (Note 0)	5,154
512,536	Total Expenditure	549,481
	Income	
(75,651)	Fees, Charges & Other Service Income	(90,782)
(7,449)	Capital Receipts (Note 15)	(2,724)
(194)	Gain in Fair Value of Investment Properties	(9,335)
	Recognition of Default Asset	(20,400)
(3,713)	Interest & Investment Income (Note 27)	(1,020)
(82,683)	Income from Council Tax (Note 11)	(82,981)
(26,197)	NDR Income (Note 11)	(52,864)
(290,504)	Government Grants & Other Contributions	(292,442)
(486,391)	Total Income	(552,548)
26,145	Deficit / (Surplus) on the Provision of Services	(3,067)

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 2021/22	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(25,354)	-	-	25,354
Recognition of Default Asset	20,400	-	-	(20,400)
Revaluation losses on Property Plant and Equipment	(2,508)	-	-	2,508
Movements in the fair value of Investment Properties	9,335	-	-	(9,335)
Amortisation of intangible assets	(1,611)	-	-	1,611
Capital grants and contributions	45,938	-	-	(45,938)
Revenue expenditure funded from capital under statute	(29,649)	-	-	29,649
Impairment of Financial Asset (Loans)	(20,400)	-	-	20,400
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(1,385)	-	-	1,385
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	14,952	-	-	(14,952)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	2,961	-	(2,961)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	305	(305)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,724	(2,724)	-	-
Capital Receipts used for the repayment of loans	-	2,957	-	(2,957)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(233)	-	233
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer to 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.	11	-	-	(11)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(35,402)	-	-	35,402
Employer's pensions contributions & direct payments to pensioners payable in the year	12,454	-	-	(12,454)
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	(5,278)	-	-	5,278
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	21,752	-	-	(21,752)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	347	-	-	(347)
Total Adjustments	9,287	-	(2,656)	(6,631)

<i>Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21</i>	<i>Usable Reserves</i>			<i>Movement in Unusable Reserves</i>
	<i>General Fund Balance</i>	<i>Capital Receipts Reserve</i>	<i>Capital Grants Unapplied</i>	
<i>Adjustments involving the Capital Adjustment Account:</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i><u>Reversal of items debited or credited to the CIES:</u></i>				
<i>Depreciation & impairment of non-current assets</i>	(27,107)	-	-	27,107
<i>Revaluation losses on Property Plant and Equipment</i>	(1,212)	-	-	1,212
<i>Movements in the fair value of Investment Properties</i>	194	-	-	(194)
<i>Amortisation of intangible assets</i>	(3,658)	-	-	3,658
<i>Capital grants and contributions</i>	27,702	-	-	(27,702)
<i>Revenue expenditure funded from capital under statute</i>	(10,719)	-	-	10,719
<i>Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES</i>	(36,925)			36,925
<i><u>Insertion of items not debited or credited to the CIES:</u></i>				
<i>Statutory provision for the financing of capital investment</i>	10,628	-	-	(10,628)
<i>Capital expenditure charged against the General Fund</i>	30			(30)
<i>Financial Instruments – Purchase of Shares</i>	1,870			(1,870)
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
<i>Capital grants & contributions unapplied from the CIES</i>	2,694	-	(2,694)	-
<i>Capital grants reclassification</i>	(25)	-	25	-
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>	-	-	142	(142)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
<i>Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES</i>	6,284	(6,284)	-	-
<i>Capital Receipts used for the repayment of loans</i>	-	6,284	-	(6,284)
<i>Adjustments involving the Deferred Capital Receipts Reserve</i>				
<i>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES</i>	1,165	-	-	(1,165)
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
<i>Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.</i>	11	-	-	(11)
<i>Adjustments involving the Pensions Reserve:</i>				
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(18,180)	-	-	18,180
<i>Employer's pensions contributions & direct payments to pensioners payable in the year</i>	13,397	-	-	(13,397)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
<i>Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</i>	(1,290)	-	-	1,290
<i>Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements</i>	(25,520)	-	-	25,520
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
<i>Adjustments for short-term compensated absences</i>	(581)	-	-	581
Total Adjustments	(61,242)	-	(2,527)	63,769

- **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 2020</i>	<i>Movement</i>	<i>31 March 2021</i>	Summary of Usable and Unusable Reserves	1 April 2021	Movement	31 March 2022
<i>£000</i>	<i>£000</i>	<i>£000</i>		£000	£000	£000
			Usable Reserves			
(5,112)	(888)	(6,000)	General Fund Balance	(6,000)	(1,301)	(7,301)
(3,159)	(1,562)	(4,721)	School's Balances	(4,721)	596	(4,125)
(27,464)	(32,647)	(60,111)	Specific Earmarked Reserves (Note 16)	(60,111)	6,923	(53,188)
-	-	-	Capital Receipts Reserve	-	-	-
(958)	(2,527)	(3,485)	Capital Grants Unapplied Account	(3,485)	(2,656)	(6,141)
(36,693)	(37,624)	(74,317)	Total Usable Reserves	(74,317)	3,562	(70,755)
			Unusable Reserves			
(145,566)	13,134	(132,432)	Revaluation Reserve	(132,432)	(9,696)	(142,128)
111,870	15,026	126,896	Capital Adjustment Account	126,896	(15,862)	111,034
(7)	(1,165)	(1,172)	Deferred Capital Receipts Reserve	(1,172)	240	(932)
221,488	92,898	314,386	Pension Reserve	314,386	(76,014)	238,372
425	(11)	414	Financial Instruments Adjustment Account	414	(11)	403
(2,649)	26,810	24,161	Collection Fund Adjustment Account	24,161	(16,474)	7,687
2,914	582	3,496	Accumulating Compensated Absences Adjustment Account	3,496	(347)	3,149
188,475	147,274	335,749	Total Unusable Reserves	335,749	(118,164)	217,585
151,782	109,650	261,432	Total Usable and Unusable Reserves	261,432	(114,602)	146,830

- **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).

2020/21 £000	Revaluation Reserve:	2021/22 £000
(145,566)	Balance at start of year	(132,432)
(22,654)	Upward revaluation of assets	(17,868)
18,044	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	5,296
2,687	Difference between fair value depreciation & historical cost depreciation	1,995
15,057	Release of revaluation gains on disposal	881
<u>(132,432)</u>	Balance at end of the year	<u>(142,128)</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.

2020/21 £000	Capital Adjustment Account:	2021/22 £000
111,870	Balance at start of year	126,896
26,882	Charges for depreciation & Impairment	25,354
1,437	Revaluation (gains) / losses on Property, Plant & Equipment	2,509
(194)	Movement in fair market value of Investment Properties	(9,335)
3,658	Amortisation of Intangible Assets	1,611
(27,702)	Capital Grants & Contributions that have been applied to Capital Financing	(45,938)
(142)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(305)
10,719	Revenue Expenditure Funded from Capital under Statue (REFCUS)	29,649
36,925	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	1,385
(1,870)	Financial Instruments – Purchase of Shares	-
(30)	Capital expenditure charged against the General Fund	-
(6,284)	Use of Capital Receipts to Repay Loans	(2,957)
(10,628)	Revenue Provision for the Repayment of Loans	(14,952)
	- Write Out Mortgage Receipt Not Received	(7)
(2,687)	Depreciation & Impairment written down to Revaluation Reserve	(1,995)
(15,058)	Transfer of Revaluation Reserve on disposal	(881)
<u>126,896</u>	Balance at end of the year	<u>111,034</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.

2020/21 £000	Deferred Capital Receipts Reserve:	2021/22 £000
(7)	Balance at start of year	(1,172)
(1,165)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	-
	- Write Out Mortgage Receipt Not Received	7
	- Transfer to the Capital Receipts Reserve upon receipt of cash	233
<u>(1,172)</u>	Balance at end of the year	<u>(932)</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.

2020/21 £000	Pensions Reserve:	2021/22 £000
221,488	Balance at start of year	314,386
88,115	Actuarial gains / losses on pension assets & liabilities (Note 7)	(98,962)
18,180	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)	35,402
(13,397)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(12,454)
<u>314,386</u>	Balance at end of the Year	<u>238,372</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.

2020/21 £000	Financial Instruments Adjustment Account:	2021/22 £000
425	Balance at start of year	414
(11)	Interest Paid on Short Term Loans	(11)
<u>414</u>	Balance at end of the year	<u>403</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 82.

<i>2020/21</i> <i>£000</i>	Collection Fund Adjustment Account:	<i>2021/22</i> <i>£000</i>
(2,649)	Balance at start of year	24,161
1,290	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	(21,752)
25,520	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	5,278
<u>24,161</u>	Balance at end of the Year	<u>7,687</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.

<i>2020/21</i> <i>£000</i>	Accumulating Compensated Absences Adjustment Account:	<i>2021/22</i> <i>£000</i>
2,914	Balance at start of year	3,496
582	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(347)
<u>3,496</u>	Balance at end of the Year	<u>3,149</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	1 April 2021 £000	Movement £000	31 March 2022 £000	Purpose of the Earmarked Reserve
Departmental Reserves	(5,380)	549	(4,831)	These have been identified by Cabinet or Corporate Leadership Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	(3,315)	1,315	(2,000)	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	(658)	(210)	(868)	School revenue reserves put aside for funding future school capital schemes.
Innovation Fund Reserve	(15,034)	(10,138)	(25,173)	This newly created reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS)
Public Health	(131)	(907)	(1,037)	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.
C-19 Funding Reserve	(12,841)	12,841	-	The C-19 pressures were lower than expected during 2021/22, this meant that the Council was able to redirect the use of this reserve to establish a £2m Budget Risk Reserve, with the remaining balance of £10.8m being transferred into the Innovation Fund Reserve. This results in a nil balance to carry forward on this reserve.
Tax Income Risk Reserve	(22,521)	10,214	(12,307)	To compensate the Council for the additional cost of providing the extended business rates retail and nursery relief. This reserve is funded by section 31 grants and Tax income Guarantee scheme.
Budget Risk Reserve	-	(2,000)	(2,000)	This £2m reserve has been set up due to the risks and issues in the Tactical Budget, namely the very high and high risks on the deliverability of the savings.
Inflation Risk Reserve	-	(4,693)	(4,693)	This £4.7m reserve has been established to mitigate the financial risk resulting from rising rates of inflation.

General Fund Earmarked Reserves	1 April 2021 £000	Movement £000	31 March 2022 £000	Purpose of the Earmarked Reserve
Other	(231)	(48)	(279)	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	(60,111)	6,923	(53,188)	

17 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2021/22	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 2021 Gross Book Value	354,388	37,999	347,127	982	683	1,137	8,695	751,011
Additions	2,364	28,277	18,357	10	5	1	9,278	58,292
Revaluation increase / (decrease) recognised in the Revaluation Reserve	10,594	-	-	836	-	-	-	11,430
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(3,901)	-	-	(306)	-	-	-	(4,207)
Derecognition - Disposals	(1,369)	(750)	-	-	-	-	-	(2,119)
Derecognition – Other	-	-	-	-	-	-	-	-
Reclassified Assets	(7,830)	-	-	-	-	-	-	(7,830)
Assets Under Construction Completed In Year	-	-	-	409	-	-	(5,456)	(5,047)
At 31 March 2022	354,246	65,526	365,484	1,931	688	1,138	12,517	801,530
Accumulated Depreciation and Impairment								
At 01 April 2021	(17,365)	(22,082)	(159,191)	(81)	-	(104)	-	(198,823)
Depreciation Charge	(6,528)	(5,170)	(14,681)	-	-	-	-	(26,379)
Depreciation written out to the Revaluation Reserve	1,766	-	-	-	-	-	-	1,766
Depreciation written out to the (Surplus) / Deficit on Provision of Services	1,699	-	-	-	-	-	-	1,699
Impairment (losses) /reversals recognised in the Revaluation Reserve	(627)	-	-	3	-	-	-	(624)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	1034	(6)	-	(3)	-	-	-	1,025
Derecognition - Disposals	167	681	-	-	-	-	-	848
At 31 March 2022	(19,854)	(26,577)	(173,872)	(81)	-	(104)	-	(220,488)
Net Book Value - At 31 March 2022	334,392	38,949	191,612	1,850	688	1,034	12,517	581,042
<i>Net Book Value - At 31 March 2021</i>	<i>337,022</i>	<i>15,917</i>	<i>187,936</i>	<i>901</i>	<i>683</i>	<i>1,033</i>	<i>8,695</i>	<i>552,187</i>

Comparative Movements in 2020/21

<i>Property, Plant & Equipment (PPE) – 2020/21</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>£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 2020 Gross Book Value</i>	370,579	36,227	326,374	961	683	1,135	7,738	743,697
<i>Additions</i>	5,359	1,865	20,753	21	-	2	9,580	37,580
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	1,285	-	-	-	-	-	-	1,285
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(1,406)	-	-	-	-	-	-	(1,406)
<i>Derecognition - Disposals</i>	(32,135)	(93)	-	-	-	-	-	(32,228)
<i>Derecognition - Other</i>	-	-	-	-	-	-	(7)	(7)
<i>Reclassified Assets</i>	2,150	-	-	-	-	-	-	2,150
<i>Assets Under Construction Completed In Year</i>	8,554	-	-	-	-	-	(8,616)	(62)
<i>At 31 March 2021</i>	354,386	37,999	347,127	982	683	1,137	8,695	751,009
<i>Accumulated Depreciation and Impairment</i>								
<i>At 01 April 2020</i>	(14,279)	(16,985)	(145,201)	(60)	-	(104)	-	(176,629)
<i>Depreciation Charge</i>	(7,087)	(5,004)	(13,990)	-	-	-	-	(26,081)
<i>Depreciation written out to the Revaluation Reserve</i>	4,036	-	-	-	-	-	-	4,036
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	240	-	-	-	-	-	-	240
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	(618)	-	-	-	-	-	-	(618)
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(886)	(119)	-	(21)	-	-	-	(1,026)
<i>Derecognition - Disposals</i>	1,230	26	-	-	-	-	-	1,256
<i>At 31 March 2021</i>	(17,364)	(22,082)	(159,191)	(81)	-	(104)	-	(198,822)
<i>Net Book Value - At 31 March 2021</i>	337,022	15,917	187,936	901	683	1,033	8,695	552,187
<i>Net Book Value - At 31 March 2020</i>	356,300	19,242	181,173	901	683	1,031	7,738	567,068

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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:

2020/21 £000	Investment Properties	2021/22 £000
23,551	Balance at start of year	21,823
4,174	Subsequent Expenditure (Note 24)	176
62	Assets Under Construction Completed in Year	5,047
(4,559)	Disposals	(114)
194	Revaluations (Note 10)	9,335
-	Impairment	-
(1,599)	(To) / From Property, Plant and Equipment	2,330
21,823	Balance at end of the Year	38,597

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 Peterborough 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 is one item of capitalised intangibles that is individually material to the financial statements in the last financial year. This is listed below:

31 March 2021	Intangible Assets	Remaining Amortisation Period Years	31 March 2022
£000			£000
1,761	Lot 1 Viridor Contract	24	1,688
287	Sand Martin House ICT	-	-
2,048	Total		1,688

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 2021	Intangible Assets	31 March 2022
£000	Balance at 1 April:	£000
25,120	Gross Carrying Amounts	26,344
(16,715)	Accumulated Amortisation	(20,373)
8,405	Net Carrying Amount at Start of the Year	5,971
	Additions	
1,224	Purchases (Note 24)	2,021
(3,658)	Amortisation for the period	(1,611)
5,971	Net Carrying Amount at the End of Year	6,381
26,344	Gross Carrying Amounts	28,365
(20,373)	Accumulated Amortisation	(21,984)
5,971	Net Carrying Amount at the End of Year	6,381

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.

2020/21 £000	Assets Held for Sale - Current Assets	2021/22 £000
2,015	Balance at 1 April:	-
-	Revaluation Gains	-
(98)	Revaluation increase/(decrease) recognised in the Revaluation Reserve	-
(41)	Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services	-
(551)	Property, Plant and Equipment De-Classified as Held for Sale	-
-	Property, Plant and Equipment Classified as Held for Sale	5,500
(1,394)	Assets Sold	-
	Other movements:	
69	Additions (Note 24)	-
-	Balance at end of the Year	5,500

21 Capital Commitments

As at 31 March 2022 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 £43.2m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract/ Capital Scheme	Value of contract	Value outstanding at 31/3/22
	£000	£000
Design and Build of Manor Drive Schools	25,076	2,606
Design and build of St John Henry Newman Catholic Primary School	9,031	3,784
City Market Works	450	450
Heltwate SEN School Project	4,628	4,490
Paston Parkway Safety Fencing	481	481
Micro Asphalt Programme	414	414
Junction 3 Nene Parkway	445	241
A16 Norwood Dualling	595	201
North Bank, Retread Green Wheel Cycleway Improvement	177	164
Surface Dressing programme	155	155
Fengate Detailed Design	140	124
Nene Parkway Junction 15 including Footbridge	156	118
A14 Cambridge to Huntingdon Improvement Scheme	1,500	1,380
Total	43,248	14,608

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 2021/22 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 £45.0m of Land and Buildings in 2021/22 and £58.0m in 2020/21 which is approximately 13% of the Council overall Gross Book Value of the assets held in Land and Buildings.

The Council has 396 ha of 'CRA' (Community Related Asset) land which historically has not been held on the balance sheet. This land was inherited from the former Peterborough Development Corporation in 1988 and attracts covenants on sale payable on Homes England. In 2021/22, £1.3m has been recognised on the balance sheet relating to 44.9 ha. The remainder has been assumed to have a Nil value on the basis of its restricted use and lack of development potential.

Accordingly, and for the avoidance of doubt the valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.

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 £000	Vehicles, Plant & Equipment £000	Assets Held for Sale* £000	Total £000
Valued at current value as at:				
31 March 2022	9,697	-	-	9,697
31 March 2021	(13,233)	-	98	(13,135)
31 March 2020	12,829	-	-	12,829
31 March 2019	(18,775)	(5)	(779)	(19,559)
31 March 2018 & Prior Years	149,934	7	2,355	152,296
Total Valuation	140,452	2	1,674	142,128

* 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 2021/22 £1.4m (2020/21 £1.0m) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This relates to capital expenditure that 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.

2020/21 £000		2021/22 £000
588,429	Opening Capital Financing Requirement	598,833
28,001	Property, Plant and Equipment (Note 17)	28,615
9,580	Assets Under Construction (AUC) (Note 17)	9,277
4,174	Investment Properties (Note 18)	176
1,224	Intangible Assets (Note 19)	2,021
69	Assets Held For Sale (Note 20)	-
9,949	Revenue Expenditure Funded from Capital under Statute (REFCUS)	29,649
7	Prior Year REFCUS Grant Return and Abortive Costs	-
763	Capitalisation Direction	-
3,004	Loans to Third Parties	8,414
-	Purchase of Shares	1,123
	Sources of Finance	
(29,455)	Capital Grants & Contributions	(46,243)
(10,628)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(14,952)
-	Write Out Mortgage Receipt Not Received	(7)
(6,284)	Repayment of Loan debt from Capital Receipts	(2,957)
598,833	Closing Capital Financing Requirement	613,949
	Explanation of movements in year	
27,288	Increase in underlying need to borrow:	33,009
21	Assets acquired under finance leases	24
7	Prior Year REFCUS Grant Return and Abortive Costs	-
	Decrease in underlying need to borrow:	
(10,628)	MRP	(14,952)
-	Write Out Mortgage Receipt Not Received	(7)
(6,284)	Capital Receipts used to repay MRP	(2,957)
10,404	Increase in Capital Financing Requirement	15,117

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 2021/22 this expenditure is £29.6m compared with £9.9m in 2020/21. REFCUS expenditure of £21.8m relates to Academies (38 schools have now transferred to Academies since the transfer programme began) and Free Schools. 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'.

2020/21 £000	Reconciliation of Grant Funding Applied to Capital Financing	2021/22 £000
22,950	Grants Received in year (Note 11)	21,919
(2,669)	Grants Received in year not applied in year	(2,961)
142	Grants Applied from Capital Grants Unapplied Account	305
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
9,032	In Year	26,980
29,455	Total Grants & Contributions applied	46,243

2020/21 £000	Body of Grant Funding Applied	2021/22 £000
5,501	Department of Levelling Up, Housing and Communities	4,235
419	Department for Transport	5
9,402	Department of Education	31,022
625	Homes England	-
11,749	Cambridgeshire & Peterborough Combined Authority	8,718
-	Department for Environment, Food & Rural Affairs	102
27,696	Total Grants Applied	44,082
624	Section 106 Contributions	772
1,135	Third Party Contributions	1,389
1,759	Total Contributions applied	2,161
29,455	Total Grants & Contributions applied	46,243

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 £14.7m (2020/21 £14.7m).

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 2022 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
Payable:				
In 2022/23	889	1,714	6,063	8,665
Within two to five years	5,031	6,637	24,002	35,670
Within six to ten years	9,536	7,018	30,494	47,047
Within 11 to 15 years	11,781	2,616	35,724	50,121
Within 16 to 18 years	710	762	3,722	5,194
Total	27,947	18,747	100,005	146,697

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 2021 £000		31 March 2022 £000
(29,863)	Balance brought forward	(28,889)
974	Lease liability redemption in the year	942
(28,889)	Value of Total Liability carried forward	(27,947)
(942)	Short Term Liability	(889)
(27,947)	Long Term Liability	(27,058)
(28,889)	Value of Total Liability carried forward	(27,947)

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 2021 £000	Council as Lessee - Finance Leases	31 March 2022 £000
15,503	Other Land & Buildings	15,337
310	Vehicles, Plant Furniture & Equipment	236
15,813	Total	15,573

The Council has two long finance leases on Investment Properties, 38 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 2021 £000	Finance Lease Liabilities (net present value of minimum lease payments)	31 March 2022 £000
257	Current	292
15,556	Non-current	15,281
40,512	Finance costs payable in future years*	38,777
56,325	Minimum lease payments	54,350

* Non-Peppercorn leases range from one to 84 years

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

31 March 2021			31 March 2022	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
1,994	257	Not later than one year	2,002	292
7,725	1,073	Later than one year & not later than five years	7,609	1,071
46,606	14,483	Later than five years *	44,739	14,210
56,325	15,813	Total	54,350	15,573

* Non-Peppercorn leases range from one to 84 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 which are classified as operating leases.

At 31 March 2022 the minimum payments expected to be received under these two property finance leases was £809k (£717k in 2020/21).

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 2021		31 March 2022
£000	Council as Lessee - Operating Leases	£000
1,761	Not later than one year	1,028
5,536	Later than one year & not later than five years	2,662
12,076	Later than five years	8,241
<u>19,373</u>	Total	<u>11,931</u>

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 2021		31 March 2022
£000	Council as Lessee - Operating Leases	£000
1,927	Minimum lease payments	1,328
(586)	Sublease payment receivable	(643)
<u>1,341</u>	Total	<u>685</u>

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 2021		31 March 2022
£000	Council as Lessor - Operating Leases	£000
2,746	Not later than one year	3,240
13,691	Later than one year & not later than five years	11,076
42,203	Later than five years*	51,350
<u>58,640</u>	Total	<u>65,666</u>

* 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:

2020/21 £000		2021/22 £000
	Financial Assets	
(1,553)	Interest Income	(792)
(2,161)	Other Investment Income	(227)
<u>(3,714)</u>	Total for Financial Assets (Note 10)	(1,019)
	Financial Liabilities	
1,994	Interest Payable Relating to PFI	1,862
16,204	Interest Payable on Borrowings	16,173
<u>18,198</u>	Total for Financial Liabilities (Note 10)	18,035
<u>14,484</u>	Net expenditure for the year	17,025

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

March 2021 Long Term £000	March 2021 Current £000	Financial Instruments Balances	March 2022 Long Term £000	March 2022 Current £000
		Assets at Amortised Cost:		
1,870	-	Investment in Shares (HE Company)	2,993	-
-	18,184	Cash and Bank	-	27,289
3,075	-	Hilton Hotel Loan	-	11,875
2,108	9,691	Debtors - Loans and receivables	1,976	9,233
<u>7,053</u>	<u>27,875</u>	Total	4,969	48,397
		Liabilities at Amortised Cost		
(374,587)	(95,000)	Borrowings - Financial liabilities at amortised cost	(362,959)	(84,628)
-	(3,423)	Accrued Interest associated with Borrowing	-	(3,414)
(109)	-	Other Long term Creditors	(98)	-
(28,889)	-	Long term PFI	(27,058)	-
(14,621)	-	Long term finance lease liabilities	(15,294)	-
-	(3,536)	Creditor - Financial liabilities at amortised cost	-	(4,725)
<u>(418,206)</u>	<u>(101,959)</u>	Total	(405,409)	(92,767)

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 2022 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 Amortised Cost value includes trade debtors. The Fair Values calculated are shown in the following table.

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.

2020/21		Financial Liabilities	2021/22	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(369,587)	(478,852)	PWLB debt	(365,087)	(516,962)
(5,000)	(5,035)	Non-PWLB debt	(5,000)	(5,000)
(95,000)	(103,218)	Short term borrowing *	(77,500)	(87,463)
		Accrued Interest associated with Borrowing	(3,414)	(3,414)
(3,423)	(3,423)	Short term creditors	(3,611)	(3,611)
(2,344)	(2,344)	Short term finance lease liability	(1,101)	(1,101)
(1,192)	(1,192)	Long term creditors	(98)	(98)
(110)	(110)	Long term PFI & finance lease liabilities	(42,450)	(42,450)
(43,509)	(59,448)	Total	(498,261)	(660,099)
(520,165)	(653,622)			

* 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 £517.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with

the PWLB, against what would be paid if the loans were at prevailing market rates.

Short-term debtors and creditors are carried at cost which is the same as fair 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 be 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 2021/22 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.
- The long term debt at 31 March 2021 included the outstanding balance of a loan to ECS Peterborough 1 LLP (ECPS1) of £20.4m. On 12 November 2021 ECSP1 entered Administration and the Council, as the secured creditor, purchased the assets for the value of the outstanding loan from the Administrators. The solar asset portfolio is now recognised as part of the Council's Property, Plant and Equipment.
- The Council has a Facility Agreement with Propiteer Hotels Ltd (Transfer from Fletton Quays Hotel Ltd) of £15m to provide funding for the construction of a Hilton Garden Inn Hotel at Fletton Quays, East Station Road. The drawdown against the Facility Agreement attracts a commercial rate of interest to be paid on maturity and the loan facility has an expiry date of 31 March 2023. The total drawdown including interest is £11.9m as at 31 March 2022

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Council had a total of £30.4m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2022. 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 2022. The Council has had no experience of default over the last five years.

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:

2020/21 £000	Age of Trade Debt	2021/22 £000
6,338	Less than three months	7,070
247	Three to six months	388
1,068	Six months to one year	531
2,038	More than one year	1,244
9,691	Total	9,233

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:

2020/21 £000	Maturity analysis of financial liabilities	2021/22 £000
(106,458)	Less than one year *	(92,891)
(13,424)	Between one and two years	(11,366)
(23,703)	Between two and five years	(20,653)
(376,580)	Between five and fifty years	(373,364)
<u>(520,165)</u>	Total	(498,274)

* 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

Interest Rate (Fair Value) Sensitivity Analysis

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, on 31 March 2022, 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 £92.0m (using PWLB Premature repayment rates), 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 has taken shareholdings in its subsidiary companies Peterborough Ltd and Blue Sky Peterborough Ltd and in its Joint Venture companies Medesham Ltd, Empower Peterborough Community Interest Company and NPS Peterborough Ltd. It has also acquired shares amounting to £3.0m in its associated company Peterborough HE Property Company Ltd. This company was established to develop and then lease the campus for the new university being developed in Peterborough. For further details see Note 13.

The Council is not exposed to price risk through these holdings as the majority are token holdings, and those held in Peterborough HE Property Company are not held for investment purposes. Any sale of the company shares must be first offered at fair value to the other members of the company in the order prescribed in the Articles of Association.

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.

31 March 2021	Inventories	31 March 2022
£000		£000
360	Westcombe Industries Stock	431
106	Other Stock Balances*	137
466	Total	568

*Includes Stock transferred from the closure of Vivacity

31 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows:

31 March 2021	Debtors (Each item is net of impairment)	31 March 2022
£000		£000
3,111	Cambridgeshire & Peterborough CCG	4,123
1,302	Cambridgeshire & Peterborough Combined Authority	637
1,208	Capital Funding Contributions	3,820
32,937	Central Government Departments	18,815
9,971	Council Tax Arrears	10,333
972	Cross Keys Homes	1,797
736	Housing Benefit Overpayments	524
8,973	NNDR Arrears	6,263
284	Other NHS Organisations	910
6,503	Payments in Advance	6,966
44	Commercial Property Rent Arrears	125
20,400	Empower Loan*	-
-	Hilton Hotel Loan	11,875
19,562	General Debtors	21,131
106,003	Total Debtors	87,

*See Note 29 for further information about the Empower Loan

32 Creditors

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

31 March 2021	Creditors	31 March 2022
£000		£000
(1,164)	Council Tax Overpaid	(1,216)
(1,423)	Council Tax Prepaid	(1,146)
(6,124)	NDR Overpaid	(4,502)
(920)	NDR Prepaid	(7,076)
-	NDR Preceptors	(9,574)
(19,821)	NDR Section 31 Grants	(20,843)
(11,012)	COVID-19 Grants	(2,548)
(19,082)	Deposits / Receipts in Advance	(20,655)
(3,494)	Accrual Accumulated Absences (Note 15)	(3,148)
(1,192)	Short Term Finance Lease Liabilities (Note 26)	(1,101)
(46,348)	General Creditors	(64,382)
(110,580)	Total Creditors	(136,191)

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 2021	Additional Provision	Payment from Provision	Released back to CIES	Transfer between Long Term & Short Term	31 March 2022
	£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.	(1,193)	-	-	-	200	(993)
<u>Voluntary Redundancy Provision</u> – redundancy related payments, regarding decisions made in 2019/	(70)	-	-	70	-	-
<u>Disputed Invoices</u> – payments that maybe due to third parties but have not received approval at this date	-	(435)	-	-	-	(435)
<u>Cambridgeshire and Peterborough CCG</u> – payments in dispute with the CCG relating to care packages	(640)	-	-	-	-	(640)
<u>Non Domestic Rate Appeals Provision</u> – this reflects the value of Rateable Value (RV) appeals submitted by businesses to the Valuation Office Agency (VOA) to seek a retrospective or/and future reduction in their NNDR bills.	(7,542)	(4,451)	2,651	6,795	-	(2,547)
Total Short Term Provisions	(9,445)	(4,886)	2,651	6,865	(200)	(4,615)
Long Term Provisions						
<u>Insurance Claims</u> – see above comments	(456)	(21)	325	-	(200)	(352)
Total Short and Long Term Provisions	(9,901)	(4,907)	2,976	6,865	-	(4)

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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 2021	Capital Grants Receipts in Advance	31 March 2022
£000		£000
(1,068)	Department of Education	(6,224)
-	Department for Transport	(496)
(1,834)	Cambridgeshire & Peterborough Combined Authority	(1,085)
(545)	Homes and Communities Agency (HCA)	(545)
(1,033)	Disabled Facilities Grant	(851)
(795)	Department for Levelling Up, Housing and Communities	(1,101)
(179)	Other Third Party Contributions	(592)
(553)	Community Infrastructure Levy (CIL)	(342)
(15,613)	Section 106 Contributions	(17,757)
(21,620)	Total Capital Grants Receipts in Advance	(28,993)

35 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21*	Cash Flow Statement – Operating Activities	2021/22
£000		£000
(1,558)	Interest Received	(803)
18,187	Interest Paid	23,175

36 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2020/21	Cash Flow Statement – Investing Activities	2021/22
£000		£000
38,116	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	65,527
6,344	Other Payments for Investing Activities	6,070
(5,734)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(2,724)
(4)	Proceeds from Short and Long Term Investments	-
38,722	Net cash flows from investing activities	68,873

37 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2020/21	Cash Flow Statement – Financing Activities	2020/21
£000		£000
8,000	Cash Receipts of Short & Long Term Borrowing	17,500
1,267	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,305
5,857	Other Payments for Financing Activities	1,997
15,124	Net cash flows from financing activities	20,802

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.

2020/21	Cash Flow Statement – Cash and Cash Equivalents	2021/22
£000		£000
18,125	Short Term Cash Investments	30,429
38	Petty Cash & Imprest	38
21	Bank Current Accounts	301
18,184	Total Cash & Cash Equivalents	30,768

39 Trust Funds

The Council administers eleven trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2022 was £16,821 (£17,106 at 31 March 2021). 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 £17,766 at 31 March 2021 (£17,633 at 31 March 2021) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 268 adults and older people (277 at 31 March 2021). The total client funds at 31 March 2022 was £3.3m (£3.3m at 31 March 2021).

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 was transferred to City Culture Peterborough Ltd in 2020 from Vivacity. In April 2022

the City Culture services have been moved to Peterborough Ltd to under take with the entity being transferred later in 2022. However the Council remains sole Trustee, see Note 12.

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 material 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 as at 31 March 2022.

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

The standards which have been introduced by the 2021/22 Code and will be effective from 1 April 2022 are as follows:

- The implementation of IFRS 16 Leases has been deferred by CIPFA/LASAAC until the 2022/23 Code but now includes an amendment which removes a misleading example that is not referenced in the Code material.
- Amendments to IFRS 1 (First-time adoption). This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS. It will not have any impact on the financial statements of the Council as it is not involved in foreign operations of acquired subsidiaries transitioning to IFRS in the financial year 2021/22.
- Amendments to IAS 37 (Onerous contracts) which clarifies the intention of the standard.
- Amendments to IAS16 Property, Plant and Equipment to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the

proceeds from selling such items, and the cost of producing those items, in profit or loss.

42 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 84, 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 fifty one schools have now received Academy status. A Department for Education priority remains encourage all remaining maintained schools to convert to Academy status. This is not a legislative requirement and they can remain under local authority control except where Ofsted consider them to be inadequate. 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 the following table 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	13	4	5	36	58
Secondary Schools	1	-	1	9	11
All through Schools	-	-	-	3	3
Special Schools	3	-	-	3	6
Total	18	4	6	51	79

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 2022 of £0.7m) 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 2022. 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 0, 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 re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Further information on lease arrangements in place can be found in Note 26, pages 57.

- The Council has eleven arrangements which it has considered against the Group Accounting criteria. The Council has not included ten 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 HE Property Company Ltd and Peterborough Ltd can be found in Note 13 and Group Accounts.

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 2022 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	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £57k for every year that useful life is reduced, which equates to a 0.94% increase in this year's depreciation charge.</p>
Property, Plant and Equipment	<p>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.</p>	<p>If an asset is impaired the carrying value of the asset is reduced.</p> <p>It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £488k, which is 0.08% of the Council's total asset base.</p> <p>7.89% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.</p>
Property, Plant and Equipment	<p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in the Statement of Accounting Policies.</p> <p>Operational assets are valued on the basis of Value in Existing Use or on a Depreciated Replacement Cost (DRC) basis for assets which are considered to be of a specialist nature because there is inadequate market evidence of value in existing use for these types of assets.</p> <p>Surplus Assets are valued on the basis of Fair Value (IFRS13).</p> <p>Asset values are reviewed periodically to ensure the value is not materially misstated, with approximately 20% of assets valued as at 31 March 2021. The remaining assets were reviewed to ensure values were materially accurate. Covid-19 continues to affect economies and real estate markets globally. At the valuation date property markets are starting to function again, with transaction</p>	<p>If the assets are not maintained to the expected condition the value and the asset live would be reduced. It is estimated that if a 5% fall in maintenance and repairs on the Council's buildings would reduce the by £20.4m which is 2.37% of the Councils overall asset base.</p>

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p>	<p>It is estimated that retail accounts for 1.5% and office 0.5% of the Councils total asset base, and as retail assets are part of the Council's Investment Properties and therefore revalued annually the impact of a change in value is likely to be minimal.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.</p> <p>The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.</p>	<p>The effects on net pension's liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> • a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 2% or £17.1m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 0% or £1.1m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 2% or £15.9m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 4%
Arrears	<p>At 31 March 2022 the Council had a balance of £21.4m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 22% or £2.8m was appropriate.</p>	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £276k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £372k would be required.</p>
Business Rates	<p>The Business Rates Retention Scheme was introduced on 1 April 2013, meaning the Council is liable for its proportionate (49%) share of successful business rate appeals.</p>	<p>There are different classes of business, each of which have had historically different success rates of appeal.</p>

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>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 rating valuations from the 2010 list, which applies to bills up to 2016/17. This has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. The second estimate relates to the rating valuations from the 2017 list, which applies to bills from 2017/18 onwards. When the VOA published the 2017 list, they also implemented a new appeals process formally known as 'Check, Challenge, Appeal' (CCA). The implementation of a new process has meant that there has been a period of insufficient data to enable the Council to apply a similar approach to the previous list. Instead the Council's provision has been calculated incorporating a national methodology recommended by DLUHC. Which following further analysis has been amended to reflect a localised position, more applicable to the Council.</p> <p>In recent years as more 2017 list appeals data has become available the Council has reviewed the suitability of the provision in comparison to the CCA's submitted, in addition to cross referencing this to industry experts, Analyse Local advice.</p>	<p>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 £0.5m. This equates to a 22% 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 £1.7m. This equates to a 39% increase in the estimated provision held in the Council's Balance Sheet.</p>

44 Going Concern – as at July 2022

Basis of Preparation

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or

dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 July 2023, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cash flow forecasting, including consideration of group companies.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with

limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

Medium Term Financial Plan

During 2021/22 the Council has seen an improvement in its financial position, and positive signs that the Council is now reaching the tail end of the pandemic. This has enabled the Council to amend the financial strategy, so that it no longer reliant on the EFS funding. This has been achieved through a combination of the following:

- The increase in Covid-19 related demand has not materialised as original anticipated
- Timely management action to mitigate budgetary pressures experienced in year ie parking income losses
- Implementation of 2022/23 savings proposals has enabled savings to be achieved in the current financial year

- The introduction of moratorium on non-essential expenditure for revenue and capital expenditure
- Release of a £12.8m Covid-19 reserve which was earmarked to mitigate any additional Covid-19 related pressures.

Despite the change in strategy outlined above CIPFA carried out a financial assurance and governance review, on behalf on behalf of DLUHC over Summer 2021. These reports were published in October 2021 alongside a series of recommendations. The Council has acted quickly to take actions to address financial ad governance issues raised within these reports. Including:

- Establishing an Independent Improvement and Assurance Panel
- Appointing independent Audit Committee chair and members
- Commissioning CIPFA to undertake a series of forensic reviews on areas identified within the review
- Development of an Improvement Plan⁵ and a Corporate strategy covering an 18 month period.

The Corporate Strategy that was approved at Council on 16 December 2021, makes it clear that the Council's top priority is to deliver a financial sustainability position.

As outlined within the Improvement Plan the Council has taken a one year tactical approach to the development of the 2022/23 Budget as part of a two stage approach.

⁵ [Improvement Plan](#)

- **Stage One:** is the tactical budget for 2022/23 which goes as far as possible to getting the appropriate balance between four objectives which are:
 - To protect front-line services as much as possible
 - To avoid long-term borrowing to pay for day-to-day expenditure
 - To protect and improve our Reserves position
 - To avoid short-term decisions that would result in increased costs in the medium term
- **Stage Two:** is the creation of a new Medium Term Financial Strategy (MTFS) that requires a fundamental review of how the Council operates and is due to be published in the Autumn of 2022

The Council approved a legal and balanced budget for 2022/23 at Council on 2 March 2022 which addresses the £26.8m budget gap. The following table summarises the budget position over the MTFP.

Phases One & Two MTFP	2022/23 £000
Budget gap from 2021/22 MTFS	26,793
Budget pressures & service demand	5,125
Savings	(18,831)
Funding changes	(12,368)
Reserves	(1,000)

6

<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4766&Ver=4> Item 5

Budget surplus*

(281)

*This will be transferred to reserves

Although the Council has managed to protect the vast majority of its services, particularly in Children's and Adults' services, it is simply not possible to balance the books without some impact on service delivery. Every effort has been made to focus on how services might be delivered differently, and to look for additional funding from partners, and there are a small number of proposals that result in a diminution or ending of a service. The Council will continue to operate its statutory duties as the required levels and therefore it is management's opinion that this does not equate a material uncertainty with regards to service provision.

The Council is at a critical stage. Its financial stability is yet not guaranteed, and some uncertainties around demographic service changes, inflation and funding remain a risk in the future years. Nonetheless the Council's financial position has seen a notable improvement, which extends into future years. In 2023/24 the Council will need to address a budget gap of £9.5m, an equivalent to 4.6% of its estimated Net Revenue Expenditure (NRE), which is vastly different in comparison to the challenge faced in previous years which amounted to 14% of its NRE. This was recently outlined in an MTFS Quarter one update report⁶, presented to Cabinet on 11 July 2022

Funding

A one year Local Government Finance Settlement for 2021/22 was confirmed and provided an additional £8.8m of grant funding for the Council. The priority of the settlement was to provide 'stability in the immediate term', while a more fundamental review of local government funding starts in 2022, with implementation expected as early as 2023/24.

Local Authorities have been budgeting based on one-year funding settlements, with 2022/23 being no exception to this trend. This means operating under increased levels of uncertainty and difficulties when setting a strategic financial plan due to nature of short-term budgeting. This makes it difficult for the Council to plan how best to allocate resources and provide services. For the Council to become financially sustainable, certain long-term funding, reflective of the needs within Peterborough is required.

Although the three-year Spending Review (SR21) provides assurance of nation funding levels for the DLUHC, it does not provide certainty of the Councils allocations, especially in light of the anticipated Local Government funding reforms. Additionally, the government has also outlined the timetable for the implementation of the Social Care reforms, and plan to progress a wider government agenda for levelling up. A revised funding mechanism and renewed focus on levelling could be positive and provide Peterborough with additional funding opportunities, As outlined within the Levelling Up Fund Prospectus, Peterborough is amongst those Local Authorities within the highest priority category. Therefore there remains some uncertainty with regards to future funding levels.

Financial Risk

Given the magnitude of the financial challenge and the requirement for more fundamental and radical change, the budget proposals have inevitably increased the level of financial risk the Council will be exposed to during 2022/23.

A number of the proposals rely on factors that are not within the Council's direct control, which naturally adds to the risk. In addition, there are assumptions made about the future demand and cost pressures that are uncertain and will need careful monitoring over the coming weeks and months. The biggest uncertainty is the continuing rise in the rate of inflation, especially given the level of third-party spend in our budget.

The Chief Finance Officers conclusion is that the 2022/23 budget proposals are realistic and deliverable, albeit very challenging. There are however a number of uncertainties:

- Some of the Savings proposals have been included with a target saving, rather than a saving that is fully supported by a detailed delivery plan. At this stage an assessment of these savings has identified £4.7m of savings within the 2022/23 budget as very high or high risk.
- There are two savings identified as very high risk and rely on external factors not totally within the Council's control. The certainty of delivery of those savings is therefore less than ideal. However, this needs to be considered in the context of savings of £0.650m within an overall budget of £182m.
- The overall savings options do have a 'spread' across the Council's services and from a range of measures, most of which are within the Council's control to deliver on time and on budget. However, there is a considerable amount of work needed to deliver these savings and additional

income, and there is therefore a risk of the capacity and pace needed to deliver the whole package of savings.

- Predicting demand pressures will always be a challenge, particularly when individual social care placements can be hugely expensive. Using historic trends, along with forecast population data, and intelligence from the Council's own internal management information systems, would normally provide a reasonable estimate. However, given the impact of the pandemic for almost two years, there is added uncertainty of demand projections. In the 2021/22 budget the Council expected to see some latent demand for services coming through to the Adults and Children's social care budgets, but this has not been as significant as expected. The Council cannot be certain if this is a 'permanent' position, or if demand continues to build and will then 'surge' through the systems.
- The pandemic has influenced people's behaviours and may continue to do so for sometime. For example the City still experiences the impact of alternative shopping methods seen through a decrease in footfall in the high-street. Therefore visitors to the City impacting on the local economy, businesses and therefore the labour market is uncertain. This will influence the Council's ability to generate income and meet budget targets.
- For many years, inflation has been low and stable. Nationally rates are at their highest for some time; with CPI reaching 9% in May 2022. The Council has considered this as part of the budget and has specific allowances for the Social Care Market, pay, utilities and key contracts, but predicting where these rates will go over the coming year

is difficult, and if they continue at current rates, or increase, then there could be a pressure on future years budgets that will need mitigating by good commissioning and procurement and / or other mitigations.

Given the above risks a £2m Budget Risk Reserve has been created in order to provide an overall satisfactory conclusion on the robustness of budget estimates.

Reserves Forecast

The Council held General Fund and Earmarked Reserves balances totalling £60.5m at 31 March 2022. Of these balances £20.3m remaining uncommitted, un-ringfenced and available to use for transformational investment or unforeseen incidents. There are specific reserves to mitigate the risks for the budget, insurance claims and local tax income receipts.

The approved tactical budget reduces the Council's reliance on the use reserves to fund everyday revenue expenditure, and instead seeks to protect reserve balances to increase the financial resilience of the Council.

The following table provides an overview of the reserves balances forecast:

	2021/22	2022/23	2023/24
As at 31 March:	£000	£000	£000
General Fund	7,300	7,300	7,300
Usable Reserves (Capacity and Departmental)	29,993	20,938	20,629
Risk and volatility Reserves	19,001	14,329	14,329
Ring-Fenced Reserves	4,183	3,741	3,741
TOTAL Earmarked and General Fund Balance	60,477	46,309	46,000

A Reserve Strategy will form part of the new MTFs to be published in the Autumn of 2022. The adequacy of reserves balances will be further reviewed and include detailed assessment of all the individual reserve accounts, the collective sum of those reserves against the risks. That MTFs will almost certainly require a managed increase in the totality of the Council's reserves over the medium-term to increase its financial resilience, and a reclassification of existing reserves to ensure they cover the Council's greatest areas of risk.

Cash Flow Forecast

As at 31 March:	2022	Estimated 2023	Estimated 2024
Borrowings (Note 27)	£495.6m	£476.9m	£480.0m
Capital Financing Requirement (Note)	£614.0m	£596.1m	£600.1m
'Under borrowed' position	£118.4m	£119.2m	£120.1m
Ability to borrow 'in advance of need' limit	£750.2m	£702.3m	£710.6m

The previous table shows the total indebtedness and borrowing limit estimates for the Council up to the end of September 2023. As per legislation, the Council can only borrow to fund capital expenditure, and for short-term cash flow variations. Therefore, factors which the Council takes into consideration for cash flow projections include:

- the Capital Financing Requirement (CFR) - this a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

- the ability for the Council to borrow for its capital programme 'in advance of need' in order to take advantage of favourable interest rates that might be available now for future capital expenditure. This activity is reflected in the 'Operational Boundary and Authorised Limit' performance measure, with further information about these aspects found in the Treasury Management Strategy, included in the 2022/23 Medium Term Financial Plan.

The 'under borrowed' position, or internal borrowing position, shown in the previous table is consistent with the Council's

Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet ie reserve cash balances, creditor payment timings, and Collection Fund tax collection. It means that the Council has £119.2m before its actual borrowing amount equals its CFR, as Councils can only borrow to fund capital. This provides the 'headroom' on the amount of borrowing permissible to fund all Council operating activities.

The Council's debt maturity profile facilitates the strategy to take new borrowing as short term in terms of the risk management of maturing debt. Short term debt is preferably taken from Local Authorities as those short-term rates are more competitive than the equivalent Public Works Loan Board (PWLb) rates, and supports the sector as a whole. Should the availability of Local Authority borrowing reduce, then the Council will access borrowing from the PWLB at a term length relevant to its interest rate, existing maturity profile and the assets being funded.

We have considered the group boundary with regards to impact on the Councils cashflow and conclude that there are no material uncertainties with the groups borrowing position.

Conclusion

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months to 30 September 2023.

This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £30.4m at 31 March 2022 . The forecast position for 30 September 2023 is for short term investment balances of £27.8m and the ability for additional borrowing of up to £710.6m

As with all budget's, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks. The Council has a reasonable expectation that it will have adequate resources to maintain continuity of service provision as outlined in the budget proposals set out in its tactical budget 2022/23.

45 Authorisation of the Accounts

The Interim Director of Corporate Resources authorises these accounts to be issued by the 31 July 2022.

The Collection Fund and Notes

31 March 2021	Collection Fund Statement	Notes	31 March 2022		Total
£000			Business Rates £000	Council Tax £000	£000
	Income				
(101,933)	Council Tax Receivable		-	(108,279)	(108,279)
(59,079)	Business Rates Receivable	3	(81,556)	-	(81,556)
	Contribution to Previous Year's Deficit:				
2,342	Peterborough City Council	4	(21,099)	-	(21,099)
48	Cambridgeshire & Peterborough Fire Authority		(431)	-	(431)
2,389	Central Government		(21,529)	-	(21,529)
(156,233)	Total Income		(124,615)	(108,279)	(232,894)
	Expenditure				
	Precepts:				
83,310	Peterborough City Council	4	-	88,303	88,303
4,260	Cambridgeshire & Peterborough Fire Authority		-	4,391	4,391
13,748	Cambridgeshire Police Authority		-	14,785	14,785
101,318	Total Precepts		-	107,479	107,479
	Business Rates Share:				
47,440	Peterborough City Council	4	48,832	-	48,832
968	Cambridgeshire & Peterborough Fire Authority		997	-	997
48,408	Central Government		49,829	-	49,829
96,816	Total Business Rates Shares		99,658	-	99,658
	Charges to Collection Fund:				
8,077	Increase / (Decrease) in Bad Debt Provision		(2,248)	2,134	(114)
530	Increase / (Decrease) in Provision for Appeals		(10,194)	-	(10,194)
269	Cost of Collection		268	-	268
1,716	Transitional Payment Protection		1,423	-	1,423
349	Renewable Energy Disregard	4	349	-	349
10,941	Total Charges to Collection Fund		(10,402)	2,134	(8,268)
	Contribution to Previous Year's Estimated Surplus:				
663	Peterborough City Council	4	-	(45)	(45)
35	Cambridgeshire & Peterborough Fire Authority		-	(2)	(2)
109	Cambridgeshire Police Authority		-	(7)	(7)
807	Total Contribution to Previous Year's Estimated Surplus		-	(54)	(54)
53,649	(Surplus) / Deficit Arising During the Year		(35,359)	1,280	(34,079)
	Collection Fund Balance				
(4,985)	(Surplus) / Deficit Brought Forward 1 April		47,719	945	48,664
53,649	(Surplus) / Deficit Arising During the Year		(35,360)	1,280	(34,080)
48,664	(Surplus) / Deficit Carried Forward 31 March		12,359	2,225	14,584
	Allocated to:				
24,159	Peterborough City Council		6,055	1,630	7,685
517	Cambridgeshire & Peterborough Fire Authority		124	140	264
128	Cambridgeshire Police Authority		-	455	455
23,860	Central Government		6,180	-	6,180
48,664	Total		12,359	2,225	14,585

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	35,531	23,687
B	7/9	22,083	17,176
C	8/9	14,708	13,074
D	9/9	8,582	8,582
E	11/9	4,607	5,631
F	13/9	1,961	2,833
G	15/9	994	1,657
H	18/9	73	146
Total		88,539	72,786

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 59,715 (59,093 for 2020/21).

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 2021/22 the total non-domestic rateable value at the year-end is £240.3m (£238.0m in 2020/21). The national multipliers for 2021/22 were 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses (49.9p and 51.2p respectively in 2020/21).

4. Council Precept

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

2020/21	Council Precept	NDR	Council Tax	2021/22 Total
£000		£000	£000	£000
(130,750)	Precept / Share	(48,832)	(88,304)	(137,136)
(350)	Estimated Renewable Energy Disregard (RED)	(349)	-	(349)
(1)	Difference between actual & estimated RED	-	-	-
(3,005)	Share of Prior Year Estimated Deficit / (Surplus)	21,099	45	21,144
2,650	Reverse actual share prior year Deficit / (Surplus)	(23,382)	(777)	(24,159)
24,159	Share of Deficit / (Surplus)	6,056	1,630	7,686
(107,297)	Total (Note 11)	(45,408)	(87,406)	(132,814)

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end 31 March 2022. 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 2021/22, 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 is defined as 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 pension's liability is the difference between fund liabilities and assets. The change in the net pension's 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 comprise both land and buildings. The land and buildings elements are classified separately.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment is recognised on the Balance Sheet at fair value at the start of the lease. The present value of the minimum lease payments is used if lower.

The asset is matched by a liability to pay the lessor. Initial direct costs of the Council are added to the carrying amount. The lease liability is written down by any premium paid on entry.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. But depreciation is charged over the lease term if:

- the lease term if this is shorter than the asset's estimated useful life, and also
- ownership of the asset does not transfer to the Council at the end of the lease period.

The Council does not raise Council Tax to cover depreciation or revaluation and impairment losses. A prudent contribution is made from revenue funds under statutory requirements.

The difference is accounted for by a transfer from the MIRS to the Capital Adjustment Account.

Operating Leases

Rentals are charged to the relevant service line in the CIES. Charges are spread equally over the life of the lease. The pattern of actual payments under the lease may be different.

Council as Lessor

Finance Leases

At the start of the lease the carrying amount of the asset is written out of the balance sheet. The write out is charged to the Other Operating Income and Expenditure line in the CIES.

The Council's net investment in the lease is credited to the same line and a long-term debtor asset is created in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease debtor (any premiums received are also used to write down the lease debtor) and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the CIES.

A gain on disposal is credited to the CIES. Statute does not allow the gain to increase the General Fund balance. The gain is required to be treated as a capital receipt.

A premium may be received on the grant of a lease. Any premium is transferred out of the General Fund Balance to the Capital Receipts Reserve in the MIRS.

A finance lease may be settled by the payment of rentals in future financial years. The income is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS.

The capital receipt element of rentals writes down the lease debtor. Deferred capital receipts for the disposal are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under capital financing. Write-offs are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

For an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the CIES.

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example if there is a premium paid at the commencement of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset. The costs are charged over the lease term in the same way as rental income.

Overheads and Support Services

The costs of overheads and support services shown as part of the Directorates that they are managed within in accordance with the Council's arrangements for accountability and financial performance.

Property, Plant and Equipment (PPE)

Assets that are classified as Property, Plant and Equipment if they:

- have physical substance
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes
- are expected to be used during more than one financial year.

Recognition

The acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided:

- it is probable that future economic benefits or service potential will flow to the Council
- the cost of the item can be measured reliably.

Repair and maintenance expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial substance and will not lead to a variation in the cash flows of the Council.)

Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. Any difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the CIES.

If the donation has been made conditionally the gain is held in the Donated Assets Account until conditions are satisfied. Gains credited to the CIES are transferred out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the measurement bases set out below.

Infrastructure is carried at depreciated historical cost. Infrastructure assets include roads, bridges and streetlights. Infrastructure is classed as inalienable assets. Expenditure on infrastructure is only recoverable by continued use of the asset. There is no prospect of sale or alternative use.

Infrastructure in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed. It is not broken down on an asset by asset basis.

Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance. These have been recorded in the Council's fixed asset register on an infrastructure asset type basis rather than by individual asset. Additions and enhancements from projects may relate to a number of infrastructure assets.

The infrastructure balance has been reduced annually by depreciation. This has been calculated using the Council's depreciation policy.

- Community assets and assets under construction are measured at historical cost.

- All other assets are measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use (EUV).

For surplus assets the current value measurement base is fair value. This is estimated at highest and best use from a market participant's perspective

There may be no market-based evidence of current value because of the specialist nature of an asset. If so depreciated replacement cost (DRC) is used as an estimate of current value.

Some non-property assets have short useful lives or low values. Depreciated historical cost basis is used as a proxy for their current value.

Revaluation

Assets carried at current value are valued regularly. This ensures their carrying amount is not materially different from their current value at the end of the accounting period. As a minimum revaluation takes place every five years.

Increases in valuations are unrealised gains. They are credited to the Revaluation Reserve.

Gains that reverse a previous loss charged to a service are credited to the surplus or deficit on services in the CIES.

Assets that are demolished will be revalued to Nil unless it is material and revalued in the following year.

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 -To Be Updated

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, associates 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.
- 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 HE Property Company Ltd	Associate	Not material
Peterborough Museum & Art Gallery	Sole Trustee	Not material

Details of 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) and from 1 October 2020 also trading as Vivacity.

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.

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.

On 1 October 2020 Peterborough Ltd took over the management of the Council's leisure facilities and operates those services on behalf of the Council through a Service Level Agreement. The leisure facilities are operated under the Vivacity brand, which was taken over by the Council from Vivacity Trust when the Funding and Management Agreement with the Council was terminated.

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;

The summary results of Peterborough Ltd to the year ended 31 March 2021 are shown in the table below.

2020/21 £000	Peterborough Limited	2021/22 £000
	<i>Statement of Financial Position</i>	
3,362	Current Assets	3,390
25	Non-Current Assets	-
(2,498)	Current Liabilities	(2,488)
(925)	Non-Current Liabilities	(925)
<u>(36)</u>	Net Assets for the Accounting Period	(23)
	<i>Statement of Comprehensive Loss</i>	
18,679	Revenue	18,844
(17,976)	Cost of Sales	(18,324)
703	(Loss)/Profit Before Tax	520
<u>703</u>	(Loss)/Profit After Tax	<u>520</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.

2020/21			2021/22			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Comprehensive Income & Expenditure Statement (CIES)						
741	-	741	Business Improvement	741	-	741
1,876	(561)	1,315	Chief Executives	1,876	(561)	1,315
8,588	(1,802)	6,786	Customer & Digital Services	8,588	(1,802)	6,786
4,960	(779)	4,181	Governance	4,960	(779)	4,181
276,055	(183,965)	92,090	People & Communities	276,055	(183,965)	92,090
47,643	(19,755)	27,888	Place & Economy	47,643	(19,755)	27,888
12,252	(12,717)	(465)	Public Health	12,252	(12,717)	(465)
73,762	(62,362)	11,400	Resources	74,791	(62,386)	12,405
17,494	(1,456)	16,038	Peterborough Limited	18,730	(2,093)	16,637
443,371	(283,397)	159,974	Cost of Services	445,636	(284,058)	161,578
14,805	(7,449)	7,356	Other Operating Income & Expenditure	14,671	(7,449)	7,222
34,034	(6,722)	27,312	Financing & Investment Income & Expenditure	34,034	(6,546)	27,488
2,726	(193,083)	(190,357)	Taxation & Non-Specific Grant Income & Expenditure	2,726	(193,083)	(190,357)
494,936	(490,651)	4,285	(Surplus) / Deficit on Provision of Services	497,067	(491,136)	5,931
	(4,270)		(Surplus) / Deficit on Revaluation of Non-Current Assets			(4,270)
	95,408		Actuarial (Gains) / Losses on Pension Assets / Liabilities			95,408
	91,138		Other Comprehensive Income & Expenditure			91,138
	95,423		Total Comprehensive Income & Expenditure			97,069

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 2020/21 and 2021/22	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 2020</i>							
<i>Total Comprehensive Income & Expenditure</i>	5,196	(912)	4,284	94,787	-	94,787	99,071
<i>Adjustments between Group accounts and Council accounts*</i>	(16,475)	16,475	-	-	-	-	-
<i>Total Comprehensive Income & Expenditure</i>	(11,279)	15,563	4,284	94,787	-	94,787	99,071
<i>Adjustments between accounting basis & funding basis under regulations</i>	(40,293)	-	(40,293)	40,293	-	40,293	-
<i>(Increase) /Decrease in 2020/21</i>	(51,572)	15,563	(36,009)	135,080	-	135,080	99,071
<i>Balance at 31 March 2021</i>	(101,731)	27,449	(74,282)	322,433	-	322,433	248,151
Balance at 1 April 2020							
Total Comprehensive Income & Expenditure	5,196	(926)	4,270	94,787	-	94,787	99,057
Adjustments between Group accounts and Council accounts*	(15,468)	15,470	2	-	-	-	2
Net Increase before Transfers	(10,272)	14,544	4,272	94,787	-	94,787	99,059
Adjustments between accounting basis & funding basis under regulations	(40,293)	-	(40,293)	40,293	-	40,293	-
(Increase) / Decrease in 2020/21	(50,565)	14,544	(36,021)	135,080	-	135,080	99,059
Balance at 31 March 2021	(100,724)	26,430	(74,294)	322,433	-	322,433	248,139

*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 2021	Balance Sheet	Notes	31 March 2022
£000			£000
567,415	Property, Plant & Equipment		567,415
25,620	Investment Property		25,620
5,971	Intangible Assets		5,971
1,870	Long Term Investment		1,870
23,726	Long term Debtors		23,726
624,602	Long Term Assets		624,602
-	Short Term Investments		-
703	Inventories	1	703
89,774	Short Term Debtors	2	89,472
20,352	Cash & Cash Equivalents	5	20,370
-	Current Intangible Asset		-
-	Assets Held for Sale		-
110,829	Current Assets		110,545
(98,423)	Short Term Borrowing		(98,423)
(113,753)	Short Term Creditors		(113,457)
(9,445)	Provisions		(9,445)
(221,621)	Current Liabilities		(221,325)
(321,679)	Long Term Creditors (Pension Liability)		(321,679)
(456)	Provisions		(456)
(374,587)	Long Term Borrowing		(374,587)
(43,619)	Other Long Term Liabilities		(43,619)
(21,620)	Capital Grants Receipts in Advance		(21,620)
(761,961)	Long Term Liabilities		(761,961)
(248,151)	Net (Liabilities) / Assets		(248,139)
(74,282)	Usable Reserves		(74,294)
322,433	Unusable Reserves		322,433
248,151	Total Reserves		248,139

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.

2020/21 £000	Cash Flow Statement	Notes	2021/22 £000
4,284	Net (Surplus) / Deficit on the Provision of Services		4,687
(70,672)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(72,143)
3,885	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		4,435
(62,503)	Net Cash Flows from Operating Activities		(63,021)
39,547	Investing Activities	4	39,652
14,334	Financing Activities		14,299
(8,622)	Net (Increase) / Decrease in Cash & Cash Equivalents		(9,070)
11,730	Cash & Cash Equivalents at the Beginning of the Reporting Period		11,730
8,622	Increase / (Decrease) in Cash and Cash Equivalents		9,070
20,352	Cash & Cash Equivalents at the end of the Reporting Period	5	20,800

Notes to the Accounts

1. Group - 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 2021	Inventories	31 March 2022
£000		£000
360	Westcombe Industries Stock	360
237	Peterborough Limited Stock	237
106	Other Stock Balances	106
<u>703</u>	Total	<u>703</u>

2. Group - Debtors

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

31 March 2021	Debtors	31 March 2022
£000	(Each item is net of impairment)	£000
3,111	Cambridgeshire & Peterborough CCG	3,111
1,302	Cambridgeshire & Peterborough Combined Authority	1,302
1,208	Capital Funding Contributions	1,208
32,937	Central Government Departments	32,937
9,971	Council Tax Arrears	9,971
972	Cross Keys Homes	972
736	Housing Benefit Overpayments	736
8,973	NNDR Arrears	8,973
284	Other NHS Organisations	284
6,503	Payments in Advance	6,503
44	Commercial Property Rent Arrears	44
992	Peterborough Limited Debtors	992
22,741	General Debtors	22,438
<u>89,774</u>	Total Debtors	<u>89,471</u>

3. Group - Creditors

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

31 March 2021	Creditors	31 March 2022
£000		£000
(1,164)	Council Tax Overpaid	(1,164)
(1,423)	Council Tax Prepaid	(1,423)
(6,124)	NDR Overpaid	(6,124)
(920)	NDR Prepaid	(920)
-	NDR Preceptors	-
(19,821)	NDR Section 31 Grants	(19,821)
(11,012)	Covid-19 Grants	(11,012)
(19,082)	Deposits / Receipts in Advance	(19,082)
(3,496)	Accrual Accumulated Absences	(3,496)
(1,192)	Short Term Finance Lease Liabilities	(1,192)
(2,486)	Peterborough Limited Creditors	(2,486)
(47,033)	General Creditors	(47,033)
(113,753)	Total Creditors	(113,753)

4. Group - Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2020/21	Cash Flow Statement – Investing Activities	2021/22
£000		£000
38,142	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,142
6,423	Other Payments for Investing Activities	6,344
(5,734)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(4)	Proceeds from Short and Long Term Investments	(4)
38,827	Net cash flows from investing activities	38,748

5. Group - 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.

2020/21	Cash Flow Statement – Cash and Cash Equivalents	2021/22
£000		£000
18,125	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
2,189	Bank Current Accounts	2,207
20,352	Total Cash & Cash Equivalents	20,370

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	LEP	Local Enterprise Partnership
BSP	Blue Sky Peterborough	LGA	Local Government Association
CAA	Capital Adjustment Account	LGPS	Local Government Pension Scheme
CCC	Cambridgeshire County Council	LLP	Limited Liability Partnership
CIES	Comprehensive Income and Expenditure Statement	DLUHC	Department of Levelling Up Housing and Communities
CIC	Community Interest Company	MIRS	Movement in Reserves Statement
CIPFA	Chartered Institute of Public Finance and Accountancy	MTFS	Medium Term Financial Strategy
CLT	Corporate Leadership Team	NDR	Non-domestic Rate
CPCA	Cambridgeshire and Peterborough Combined Authority	PFI	Private Finance Initiative
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group	PIP	Peterborough Investment Partnership
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust	PPE	Plant Property and Equipment
CRC	Carbon Reduction Commitment Energy Efficiency Scheme	PWLB	Public Works Loan Board
DfE	Department for Education	REFCUS	Revenue Expenditure Funded from Capital under Statute
DSG	Dedicated Schools Grant	RIT	Rapid Implementation Team
DMO	Debt Management Office	RR	Revaluation Reserve
EFA	Expenditure and Funding Analysis		
EFS	Exceptional Financial Support		
EIR	Effective Interest Rate		
IAS	International Accounting Standard		

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Annual Governance Statement – 2021/22



Annual Governance Statement

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AUDIT COMMITTEE	AGENDA ITEM No. 15
25 JULY 2022	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance	
Contact Officer(s):	Pippa Turvey, Democratic and Constitutional Services Manager	Tel. 452460

DECISIONS MADE BY THE SHAREHOLDER CABINET COMMITTEE

RECOMMENDATIONS	
FROM: <i>Shareholder Cabinet Committee</i>	Deadline date: <i>N/A</i>
It is recommended that the Audit Committee note the decisions made by the Shareholder Cabinet Committee as set out in the report.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following in line with the constitutional requirement for it to consider the performance of the Council's companies alongside comments from the Shareholder Cabinet Committee.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.12, "*To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.*"

3. TIMESCALES

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

4. [Shareholder Cabinet Committee – 15 December 2021](#)

4.1 NPS Peterborough 2021-22 Business Plan

The Shareholder Cabinet Committee considered the report and RESOLVED to:

- Note the contents of the NPS Peterborough Ltd Business Plan 2021/22.
- Note the comments on the Corporate Director Resources in respect of the future direction of the overall Property function in respect of the Council budget position

4.2 Peterborough Limited Strategy Report 2020-221

The Shareholder Cabinet Committee considered the report and RESOLVED to:

1. Note the information within the report and Appendix 2, Peterborough Limited Strategic Report 2021/22.
2. Note the appointment of a New Operations Director for Peterborough Limited.

5. [Shareholder Cabinet Committee – 28 February 2022](#)

5.1 Opportunity Peterborough

The Shareholder Cabinet Committee considered the report and RESOLVED to note the achievements and impact of Opportunity Peterborough with regards to support for the local economy and jobs creation, as well as plans for the financial year 2022/23.

5.2 Medesham Homes Annual Review

The Shareholder Cabinet Committee considered the report and RESOLVED to:

1. Note the contents of this report.
2. Specifically note the review of companies that the Council was involved with, as part of the overall financial sustainability programme.
3. Reinforce the Council's commitment to Medesham Homes and work with renewed vigour to provide outcomes.

6. [Shareholder Cabinet Committee – 13 June 2022](#)

6.1 Amendment to the Trustees for the Mayor of Peterborough's Charity Fund

The Shareholder Cabinet Committee considered the report and RESOLVED to note the amendments to the Trustees of the Mayor of Peterborough's Charity Fund (MPCF).

6.2 Review of Guidance and Assurance Review of Partnership Arrangements

The Shareholder Cabinet Committee considered the report and RESOLVED to:

1. Note this report and its attached guidance note "Guidance for Member & Officers who serve on outside bodies".
2. Agree that officers should carry out an assurance process on the council's partnership activities to assess the strength and robustness of the current governance arrangements
3. Delegate responsibility for carrying out this assurance process to the Director of Corporate Resources and the Director of Law and Governance with progress to be reported back to the next Committee meeting
4. Agree that further refresher training for members and officers on their roles and responsibilities in relation to council companies and partnerships, to be organised by Democratic Services

6.3 Peterborough Limited Update

The Shareholder Cabinet Committee considered the report and RESOLVED to note the information within the report and the progress this year made by Peterborough Limited.

7. CONSULTATION

7.1 None taken, as the report is to note.

8. ANTICIPATED OUTCOMES OR IMPACT

8.1 That the Audit Committee note the report.

9. REASON FOR THE RECOMMENDATION

9.1 To ensure that the Audit Committee is aware and familiar with the recent decisions made by the Shareholder Cabinet Committee.

10. ALTERNATIVE OPTIONS CONSIDERED

10.1 To not provide the information to the Audit Committee – this would not align with the requirements set out within the Council's constitution.

11. IMPLICATIONS

11.1 As this report is for the Audit Committee to note there are no financial, legal, equalities, or carbon impact implications to consider

12. BACKGROUND DOCUMENTS

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

12.1 Shareholder Cabinet Committee Minutes:

- 15 December 2021
- 28 February 2022
- 13 June 2022

13. APPENDICES

13.1 None.

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AUDIT COMMITTEE	AGENDA ITEM No. 16
25 JULY 2022	PUBLIC REPORT

Report of:	Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2022/23

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 2022/23 and matrix of terms of reference

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.

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 – Rolling Work Programme 2022/23
Appendix B – Committee matrix – terms of reference

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Meeting date: Monday 25 July 2022

Training/Briefing Dates: 18 July 2022 & 20 July 2022

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Annual Governance Statement	Steve Crabtree – Chief Internal Auditor Cecilie Booth – Corporate Director Resources	<p>2.2.1.17</p> <p>To oversee the production of the authority’s Annual Governance Statement and to recommend its adoption</p> <p>2.2.1.18</p> <p>To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.	
Risk Management Framework and Policies	Steve Crabtree – Chief Internal Auditor (input from EY)	<p>2.2.1.15</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council.</p>	Responsibility for the risk management framework	

Internal Audit: Annual Audit Opinion	Steve Crabtree – Chief Internal Auditor	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.	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 2021 / 2022.	
Investigations Team Annual Report 2021 / 2022	Steve Crabtree – Chief Internal Auditor	2.2.1.16 To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.	The purpose of this report is to present the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.	
Insurance: Annual Report 2021 / 2022	Steve Crabtree – Chief Internal Auditor	2.2.1.15 To monitor the effective development and operation of risk management and corporate governance in the Council.	The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.	
National Fraud Initiative	Steve Crabtree – Chief Internal Auditor	2.2.1.16	The purpose of this report is to present the Council’s work on the National Fraud Initiative.	

		To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.		
Draft Statement of Accounts and Audit Results report for year ended 31 March 2022	Ernst & Young – External Auditors Cecilie Booth – Corporate Director Resources Kirsty Nutton – Deputy S151 Officer	2.2.1.19 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.	To review the Audit results report from the External Auditors.	
Audit Committee Effectiveness	Steve Crabtree – Chief Internal Auditor	2.2.1.18 To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To provide Members with an update on progress in developing the audit plan.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder	

		of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	Cabinet Committee in relation to the Council's companies.	
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Meeting date: Monday 12 September 2022

Training/Briefing dates: 6 September 2022

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Risk Management: Strategic Risks	Cecilie Booth – Corporate Director Resources	2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	
Financial Improvement Panel plan and report presented to Council	Cecilie Booth – Corporate Director Resources	2.2.1.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To review along with scrutiny committee the financial action plan in place.	

Council's Reserves Policy	Cecilie Booth – Corporate Director Resources	2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body	Report and update on the Council's reserve position	
Final Statement of Accounts 2020/21	Ernst & Young – External Auditors Cecilie Booth – Corporate Director Resources Kirsty Nutton – Deputy S151 Officer	2.2.1.19 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.	To review the Audit results report from the External Auditors.	
Activity of Procurement single supplier procurement over £10,000 and services procured / approved retrospectively.	Mark Sandhu – Head of Procurement Steve Crabtree – Chief Internal Auditor	2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To review the activity of Procurement in relation to governance and internal controls	
External Audit plan for year ended 31 March 2022	Ernst Young – External Auditors Sian Warren/Cecilie Booth/Kirsty Nutton - Finance	2.2.2.5 To consider the external auditors annual letter, relevant reports and the	The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional	

		report to those charged with governance. 2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.	issues it considers relevant to the audit.	
Budget Setting and Scrutiny processes	Cecilie Booth – Corporate Director Resources		For the committee to review the budget setting process and the joint scrutiny of the budget arrangements.	
Assurance Framework	Steve Crabtree – Chief Internal Auditor	2.2.2.2 To consider summaries of specific internal audit reports as requested.	Committee to have a standing item on the assurance framework.	

Meeting date: Monday 28 November 2022

Training/Briefing dates: 22 November 2022

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive (potentially on write offs)	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details	

			of the nature of the deep dive will be updated in the work programme.	
Internal Audit: Mid Year Progress Report	Steve Crabtree – Chief Internal Auditor	<p>2.2.2.1</p> <p>To consider the annual audit report and opinion of the Corporate Director of 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.</p>	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 the completed internal audits from the Annual Audit Plan 2022 / 2023 as at 30 September 2022.	
Audit Committee start time 2023/24	Dan Kalley – Senior Democratic Services Officer	<p>Council Standing Order section 4.4.1</p> <p>The timings of normal committee meetings will be agreed by the committee for the next municipal year in January of the preceding municipal year (or as near to this time as possible).</p>	The purpose of this report is to allow the Audit Committee to discuss and agree the start times for meetings from the beginning of the Municipal Year 2023-24.	Full Council January 2023
Treasury Management Strategy (Half year report)	Cecilie Booth – Corporate Director Resources	<p>2.2.1.18</p> <p>To consider the Council's arrangements for corporate governance and agreeing</p>	The purpose of this report is to report current performance and the forecast outturn position against the Prudential Indicators in the strategy.	

	Fiona Leverton – Capital Accounting & Treasury Manager	necessary actions to ensure compliance with best practice.		
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	
Assurance Framework	Steve Crabtree – Chief Internal Auditor	2.2.2.2 To consider summaries of specific internal audit reports as requested.	Committee to have a standing item on the assurance framework.	

Meeting date: 30 January 2023

Training/Briefing dates: 24 January 2023

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive	

			will be updated in the work programme.	
Internal Audit: Approach to Audit Planning	Steve Crabtree – Chief Internal Auditor	2.2.2.9 To commission work from internal and external audit.	The purpose of this report is to provide Members with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.	
Treasury Management Strategy including update on risks	Cecilie Booth – Corporate Director Resources Fiona Leverton – Capital Accounting & Treasury Manager	2.2.1.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To provide the Treasury Management Strategy 2022/23 to Audit Committee for approval of the policies and Prudential Indicators in line with the consultation timelines for the MTFS.	Part of the Medium Term Financial Strategy presented to Full Council in March
Activity of Procurement single supplier procurement over £10,000 and services procured / approved retrospectively.	Mark Sandhu – Head of Procurement Steve Crabtree – Chief Internal Auditor	2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To review the activity of Procurement in relation to governance and internal controls	

Assurance Framework	Steve Crabtree – Chief Internal Auditor	2.2.2.2 To consider summaries of specific internal audit reports as requested.	Committee to have a standing item on the assurance framework.	
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Meeting date: 20 March 2023

Training/Briefing dates: 16 March 2023

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	
Draft Annual Audit Committee report	Dan Kalley – Senior Democratic Services Officer Cecilie Booth – Corporate Director Resources Steve Crabtree – Chief Internal Auditor	2.2.2.13 To produce an annual report for consideration by Full Council.	The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit,	Full Council July 2023

			anti-fraud and the financial reporting framework.	
Internal Audit: Draft Internal Audit Plan 2023 / 2024	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.1</p> <p>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.</p> <p>2.2.1.3</p> <p>To consider reports dealing with the management and performance of the providers of internal audit services.</p> <p>2.2.1.18</p> <p>To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.	
Risk Management: Strategic Risks	Cecilie Booth – Corporate Director Resources	<p>2.2.2.15</p> <p>To monitor the effective development and operation</p>	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	

		of risk management and corporate governance in the council.		
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	
Assurance Framework	Steve Crabtree – Chief Internal Auditor	2.2.2.2 To consider summaries of specific internal audit reports as requested.	Committee to have a standing item on the assurance framework.	

Date for item TBC

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Councils Value for Money position	Cecilie Booth – Corporate Director Resources			
Report on Shared Services	Cecilie Booth – Corporate Director Resources			

	Matt Gladstone – Chief Executive			
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Draft planning document linking constitution to delivery in meetings.

Audit Committee

2.2.1 It is advised that Members undertake relevant training within the past three years in order to hold a seat on this committee.

2.2.2 Terms of Reference

2.2.2.1 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.

2.2.2.2 To consider summaries of specific internal audit reports as requested.

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

2.2.2.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.2.6 To consider specific reports as agreed with the external auditor.

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

2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

2.2.2.9 To commission work from internal and external audit.

2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.

2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.

2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.

2.2.2.13 To produce an annual report for consideration by Full Council.

Regulatory Framework

- 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- 2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- 2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

- 2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Independent Members of Audit Committee

- 2.2.1.21 The Audit Committee will include up to 3 independent co-opted non-voting members sitting alongside 7 elected members. Independent members will be appointed by the Council to serve an initial 4 year term, which may be extended with the agreement of Council.
- 2.2.1.22 The Committee will be chaired by an Independent Member. In the absence of the appointed chair one of the remaining two Independent Members will be appointed as Chair by the Committee.
- 2.2.1.23 The Vice-Chair will be an elected member whose purpose will be to support the Chair and in the event of an equality of votes, to exercise a second or casting vote.
- 2.2.1.24 The role of an Independent Member is to support the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders.
- 2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.

2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

Terms of reference	Meeting	Report title	Assurance activity
2.2.2.1 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.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
		(Draft) Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any changes made to audit risks and resources and how this is impacting on works.	

	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.2 To consider summaries of specific internal audit reports as requested	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
	Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any changes made to audit risks and resources and how this is impacting on works.
2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.4 To consider a report from audit on agreed recommendations not implemented within a reasonable timescale	July 2022	Internal Audit: Annual Audit Opinion	Areas of non-compliance with timescales to implement change
	Nov 2022	Internal Audit: Mid-Year Progress Report	Areas of non-compliance with timescales to implement change

2.2.2.5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Sept 2022	External Audit plan for year ended 31 March 2022	External auditor presents reports
2.2.2.6	To consider specific reports as agreed with the external auditor.	Jan 2023	Council's Value for Money position	
			Medium Term Financial Strategy review and recommendations	
2.2.2.7	To comment on the scope and depth of external audit work and to ensure it gives value for money.	Sept 2022	External Audit plan for year ended 31 March 2022	
2.2.2.8	To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.	As required – last done November 2021		
2.2.2.9	To commission work from internal and external audit	Jan 2023	Internal Audit: Approach to Audit Planning	To set out future audit work based on the current issues impacting on PCC
2.2.2.10	To have oversight of the Regulation of Investigatory Powers policy and processes.	As required		

2.2.2.11	Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.	As required		
2.2.2.12	To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	July 2022	Decisions made by the Shareholder Cabinet Committee	
2.2.2.13	To produce an annual report for consideration by Full Council.	Mar 2022	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
		Mar 2023	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
2.2.2.14	To review any issue referred to it by the Chief Executive or a Director, or any Council body.	As required		
2.2.2.15	To monitor the effective development and operation of risk management and corporate governance in the council.	Mar 2022	Risk Management Strategic Risks	Overview of current strategic risks.
		July 2022	Insurance: Annual Report 2021 /	Sets out how insurance service has

		2022	operated to ensure effective management and control of its assets, and provide cover to manage risks
	Sept 2022	Risk Management Strategic Risks	Overview of current strategic risks
2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.	July 2022	Investigations Team Annual Report 2021 / 2022	Annual report into Investigations Team works.
2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	July 2022	(Draft) Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	July 2022	Review of Effectiveness of Audit Committee	Overview of the operation of the Committee against the CIPFA standards.

		Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
		National Fraud Initiative	Report to set out how the Council will look to tackle fraud and error as part of mandatory exercises from central government
		Risk Management Framework	
	Sept 2022	Treasury Management Progress Report (including risks)	
		Review of Procurement, reporting of single tender contracts	
		Shared services strategy, TMS monitoring report	
	Nov 2022	Treasury Management Strategy (Half year report)	
	Jan 2023	Treasury Management Strategy including update on risks	

	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.1.19 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.	June 2022	Budget Monitoring Outturn 2021 / 2022	
	July 2022	Audit Results report for year ended 31 March 2022	
2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.	Mar 2022	Statement of Accounts	
	Nov 2022	Statement of Accounts	

Independent Audit Committee Members feedback

2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity,	
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<p>objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.</p>	
<p>2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.</p>	