

AUDIT COMMITTEE

MONDAY 29 JUNE 2015
7.00 PM

Bourges/Viersen Room - Town Hall

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

AGENDA

	Page No
1. Apologies for Absence	
2. Declarations of Interest	
<p>At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.</p>	
3. Minutes of the Meeting Held on 16 March 2015	5 - 12
<p>To approve the minutes of the meeting held on 16 March 2015.</p>	
4. Budget Monitoring Report Final Outturn 2014 / 2015	13 - 30
<p>To receive, consider and endorse the final outturn position for the year ended 31 March 2015.</p>	
5. Draft Statement of Accounts 2014 / 2015	31 - 132
<p>To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2015</p>	
6. Investigations Team Annual Report 2014/2015	133 - 144
<p>To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2015.</p>	
7. Internal Audit: Head of Internal Audit Opinion 2014 / 2015	145 - 170
<p>To receive, consider and endorse the annual report on Internal Audit activities for the year ended 31 March 2015.</p>	
8. Internal Audit: Review of Effectiveness	171 - 182

To receive, consider and endorse the annual review of the effectiveness of Internal Audit for the year ended 31 March 2015 together with any associated action plan.

9. Draft Annual Governance Statement

183 - 206

To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2015.

INFORMATION AND OTHER ITEMS

10. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

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

11. Approved Write-Offs Exceeding £10,000

The Committee are asked to **NOTE** that there have been no approved write-off amounts to report since 16 March 2015, which exceed the Council's Financial Regulation threshold of £10,000.

12. Feedback Report

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13. Work Programme

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There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Karen S Dunleavy on 01733 452233 as soon as possible.

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

Committee Members:

Councillors: Coles (Chairman), Aitken (Vice Chairman), Over, Sylvester, Sharp, F Fox, Shaheed and Lane

Substitutes: Councillors: Harper, Johnson, Harrington, Whitby, Sandford and J R Fox

Further information about this meeting can be obtained from Karen S Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 16 MARCH 2015

Present: Councillors Lee (Chairman), Casey, Lamb, Thulbourn, F Fox, Herdman, Sandford and Lane.

Officers in

Attendance: Kim Sawyer, Director of Governance
Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Julie Taylor, Group Auditor
Louise Cooke; Group Auditor
Ben Stevenson, Compliance Manager
Kevin Dawson, Head of Resilience
Karen S Dunleavy, Democratic Services Officer

Also in

Attendance: Julian Rickett, PricewaterhouseCooper

1. Apologies for Absence

Apologies for absence were received from Councillors Arculus, and Harper.

Councillor Lamb and Casey were in attendance as substitute.

2. Declarations of Interest

There were no declarations of interest.

In a response to a question raised by Councillor Sandford, the Director of Governance advised that the agenda item order was determined by the order in which items were received.

3. Minutes of the Meeting held on 2 February 2015

The minutes of the meeting held on 2 February 2015, were approved as an accurate and true record.

4. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Compliance Manager introduced a report which provided Members of the Audit Committee with details regarding a request to use the Regulation of Investigatory Powers Act 2000 for a covert surveillance operation in relation to a test purchase for the underage sale of tobacco at five shops in Peterborough.

In response to a questions Raised by Members, the Compliance Manger confirmed that the RIPA Policy was being updated and would be presented at a future meeting of Audit Committee.

The Committee:

Considered and endorsed the report on the use of RIPA for the two months from 1 January to 28 February 2015.

It was agreed that agenda item 6, External Audit: Draft Audit Plan 2014 / 2015 would be discussed next.

5. External Audit: Draft Audit Plan 2014 / 2015

Julian Rickett from PwC introduced a report to Members of the Audit Committee, which outlined the responsibilities of the external auditors within the External Audit, Draft Audit Plan 2014 / 2015 to inform the Council about how these would be discharged.

Key points within the report included:

- The key responsibilities of Audit Committee;
- Financial Statement Risks – Management override of controls;
- Property valuation and accounting for capital;
- Risk of inappropriate accounting for schools' non-current assets and the elevated risk;
- Materiality amount;
- Risk of fraud; and
- The transfer of external audit duties, which were due to be handed over to Ernst & Young for 2015 /16.

The External Auditor Julian Rickett, Service Director Financial Services and the Director of Governance responded to comments and questions raised. In summary responses included:

- The Audit Commission had appointed the Council's external auditors by way of a framework agreement;
- The Council had no involvement in the selection of the Council's future external auditors, however, it had been envisaged that there may be some involvement in the future by way of an independent panel appointing auditors;
- There would often be a difference in opinion in relation to the audit of accounts between auditing organisations;
- Any issues highlighted by the new external auditors that related to previous years audits, would involve the assistance of PwC to provide a resolution to resolve;
- There were varied audit processes applied to schools with Free Schools, Academies or Faith Schools status, in relation to the assets owned by the Local Authority;
- Internal Audit may receive a request to include a piece of work within the plan to audit the control measures or financial management for schools that had been classed as directly Local Authority funded;
- The External Auditor's would not use an algorithm or calculation to determine that the Council had provided 'Value for Service'. The service delivery was evidence based and Members would need to judge for themselves what they deemed as value for money; and
- Free School funding was received directly from the Government, whereas Academies were funded on a grant basis.

The Committee:

1. Considered the External Audit Plan for 2014/15 and considered points raised by PwC in the document:
 - Proposed scope, comfortable with the audit risks, and approach;
 - Considered and responded to matters relating to fraud;
 - Considered and responded to the PwC view on the value of trivial misstatements; and
 - Approve proposed audit fees for the year;

2. Provided comment on any amendments necessary; and
3. Approved the Plan.

The Committee Also Agreed:

That the Service Director Financial Services would explore what rights the Council had to audit or intervene in the financial management at Free Schools or Academies.

6. Risk Management: Strategic Risks

The Head of Resilience introduced a report to Members of the Audit Committee on Risk Management (RM) and Business Continuity (BC) as a routine planned item in line with the Committee's Work Programme.

Key points within the report included:

- Completion of a review of current risk management procedures by the Council's Internal Audit team;
- Quarterly review of Strategic (corporate) risk register by Corporate Management Team;
- Coordination of Strategic and Departmental risk registers;
- Continuation of review and revision of Service BC Plans;
- Regular risk "conversations" within and between services at all levels;
- Updates on Insite, web and E-Learning; and
- Strategic issues e.g. introducing and embedding RM/BCM into procurement processes, induction briefings and business plans.

The Head of Resilience also confirmed to Members of the Audit Committee that the departmental risk registers were constantly reviewed and that the Business Continuity returns received a 100% completion rate.

The Head of Resilience and Director of Governance responded to comments and questions raised by Members. In summary responses included:

- The risk measure highlighted within the Risk Register in regards to school places, had related to Local Authority run schools. Other Free Schools and Academies would also be required to adhere to a strict admission policy and were duty-bound to offer places to local children;
- External advice on Risk and Business Continuity was offered by the Resilience Team to Free Schools and Academies as requested by them;
- Council Partners such as Amey had provided the Council with a copy of their BC plans;
- There was a revised information technology recovery plan being developed through Serco, a business partner of the Council;
- A stress test exercise had been conducted on the transfer of Council's data into the Cloud;
- The Service Director Financial Services held responsibility of overseeing Serco and their BC plans;
- Risk Management training had been delivered at Cabinet and All Party Policy; and
- A Work Programme was presented and agreed at each Audit Committee meeting in order to set forthcoming agenda items. A draft Work Programme was due to be presented to Audit Committee in June 2015.

The Committee:

Considered and noted the content of the report.

The Committee Also Agreed:

That:

1. The Head of Resilience would provide a report to Audit Committee on the Business Continuity plans in place by Council partners, which should also include what reassurances were provided in regards to the appropriate level of resilience in order to conduct Council business; and
2. The Service Director Financial Services would provide further information with regards to the comparisons between Free Schools and Academies and their rules around school admissions policy.

The Committee Recommended:

That the Risk Register should be presented to Audit Committee annually without exception.

7. Internal Audit: Draft Internal Audit Plan 2015 / 2016

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Draft Internal Audit Plan 2015 / 2016, which outlined the audit activity for the next audit year.

Key points within the report included:

- Audit Plan Strategy;
- AP Charter;
- Performance Indicators; and
- Internal audit strategy and Audit Plan.

The Chief Internal Auditor responded to questions and comments raised by Members. In summary responses included:

- There had been a number of activities undertaken to provide assurances of the Council's governance and assurance levels such as anti-fraud, partnership governance and the review of risk management in order to ensure that targets were being met;
- The annual governance statement was included within the final accounts, which had contained the policies and process that the Council utilised, which the Audit Team would review with depth tests;
- The Governance statement would not review the effectiveness of Scrutiny Committee, however there had been a report presented to Audit Committee annually to measure the effectiveness;
- Members of the Audit Committee could raise issues with areas of the service that they felt required audit attention;
- Audit Committee Members could request an item to be included on an agenda if it fell within the remit of the Committee, however, the Committee should not undertake a 'backdoor' Scrutiny exercise;
- Depending on the type of audit, the Council's priorities would be referenced as appropriate.

The Committee:

Examined the draft Internal Audit Plan for 2015 / 2016 and:

1. Identified any areas for further consideration;
2. Approved the draft Audit Plan and Audit Strategy;
3. Noted the contents of the Internal Audit Charter;
4. Noted the contents of the Code of Ethics; and
5. Noted the performance indicators set for the service.

The Committee Also Agreed

That the Chief Internal Auditor would update the Internal Audit Plan to:

1. Remove any number alignment to Strategic Priorities referenced within the Internal Audit Plan; and
2. Reflect the 2015/16 objectives of the Council.

8. Draft Annual Audit Committee Report

The Chairman of Audit Committee introduced a report to Members of the Audit Committee on the Draft Annual Audit Committee Report, which outlined the work of the Audit Committee during 2014/2015. The report was due to be presented at Council.

The Director of Governance also updated the Committee that there had been no complaints referred to the Independent Person of the Council for investigation in 2014/15.

Key points within the report included:

- Background to the Committee, its roles, responsibilities and membership;
- An overview and coverage of the Audit Committee's remit included Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, Fraud and Irregularities; and
- Training provided to Members of the Audit Committee to ensure that suitable challenge and scrutiny was adopted.

The Director for Governance responded to comments and questions raised by Members. In summary responses included:

- The Code of Conduct (CoC) Review Group had not had the opportunity to meet to discuss the Audit Committee's recommendation arising from its meeting held on 22 September; and
- The responsibility for the CoC template review had transferred to the Member Officer Working Group to take forward.

In general, Members of the Audit Committee felt that the responsibility for the review of the CoC template should remain within the remit of Audit Committee.

The Committee:

The Audit Committee approved the draft Annual Audit Committee Report for submission to Council.

The Committee Also Agreed:

That reference would be included within the report to Council with regards to:

- The responsibility of the Code of Conduct template review would transfer to a new group to consist of Councillors Lamb, Lane and Sandford.

9. Effectiveness of the Audit Committee

The Chief Internal Auditor introduced a report to Members of the Audit Committee on the Effectiveness of the Audit Committee, which outlined the results of the review of the Committee's effectiveness, which had been carried out using the principles established by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- Decision notices which would include the Council's write-off amounts were published within a Cabinet Member Decision Notice (CMDN). In addition the information would be highlighted in an executive decisions report, which was presented to Council;
- The Sustainable Growth and Environment Capital Scrutiny Committee held responsibility for decision call- in for financial issues;
- The Council's financial regulations included the rules of the Council's write-offs amounts, however, the Audit Committee could consider the inclusion of a standard item on their agenda, which would be in line with CIPFA guidance;
- The Audit Committee's review of the Council's finance 'write-offs' would check that the Council Policy was been adhered to; and
- Information on Council write-offs was included within the management of accounts report received by Audit Committee annually.

The Committee:

- a) Considered and approved the review and its conclusion that the Committee was operating effectively in all material respects.

The Committee Also Agreed:

That a standing item would be included on future agendas of Audit Committee in order to receive information on the number of write-offs over the value of £10,000 (in line with the threshold in financial regulations), which would also include the procedure and approval process followed.

10. Ivatt Way – Enterprise

The Director of Governance introduced a report to Members of the Audit Committee which provided an update on the current status of the Ivatt Way solar panel project and the outcome of the recent legal proceedings with Enterprise.

Key points within the report included:

- The procurement exercise undertaken;
- Type of contract such as time of the essence pursued;
- Failures within the contract price reduction;
- Legal, mediation and adjudication proceedings undertaken following the failure of contract deadlines;
- Actual loss claimed for;
- Counter claim from Enterprise for non-payment by the Council;
- Actual loss figures of 100% were recoverable; and
- Further court action and litigation risks were considered by the Council.

The Director of Governance responded to comments and questions raised by Members of the Audit Committee. In summary responses included:

- The TESAM feed in tariff registration was delayed whilst the legal process was being conducted, however, the registration would be initiated and with back-dated income to be recovered;
- The risks of the contract in particular to the issues of the installation on the TESAM roof had been outsourced to Enterprise as part of the procurement process. All of the contract requirements had been set out within the procurement processes and documents; and
- The legal and professional fees were non recoverable by the Council due to consumer law;
- The inclusion of time constraints applied within a contract was standard practice and would not weaken it;
- The Council had robust management procedures, risk assessment and audit processes in place to monitor all contracts;
- Sensitivity tests were conducted prior to the procurement process to ensure that timelines could be met.

The Committee

The Audit Committee noted the outcome of the proceedings between the Council and Enterprise Managed Services Ltd.

11. Feedback report

The Governance Officer and the Head of Strategic Finance introduced the report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters, which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

The following responses to action points were discussed:

- An asset disposal briefing had been held; and
- The CMDN for the Invest to Save Scheme had been circulated for comment.

Members of the Audit Committee commented that they were satisfied with the response in regards the Invest to Save Scheme and the Cabinet Member Decision Notice utilised to report the expenditure.

7.00pm – 21:00pm
Chairman

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

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

BUDGET MONITORING REPORT FINAL OUTTURN 2014/15

RECOMMENDATIONS	
FROM : Corporate Director Resources	Deadline date : N/A
<p>That Audit Committee approve:</p> <ol style="list-style-type: none"> 1. The reserves position for the Council. <p>That Audit Committee note:</p> <ol style="list-style-type: none"> 2. The final outturn position for 2014/15 (subject to finalisation of the statutory statement of accounts) of a balanced position on the Council's revenue budget, after the use of £0.6m from reserves to support the budget, which is less than forecast as actions have reduced pressures; 3. The final outturn spending of £108.8m under the Council's capital programme 2014/15; 4. The performance against the prudential indicators; 5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments; and 6. The forecast budget gap of over £10m for 2016/17 is expected to increase with the update of national expenditure plans, and that Cabinet may need to review 2015/16 plans in light of the Budget to be released on 8th July. 	

1 ORIGIN OF THE REPORT

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

2 PURPOSE AND REASON FOR REPORT

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

- 2.3 The report is for Audit Committee to consider under its terms of reference No. 2.2.1.18 to review the annual statement of accounts, specifically, whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

3 **TIMESCALE**

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	N/A
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4 **FINAL OUTTURN 2014/15**

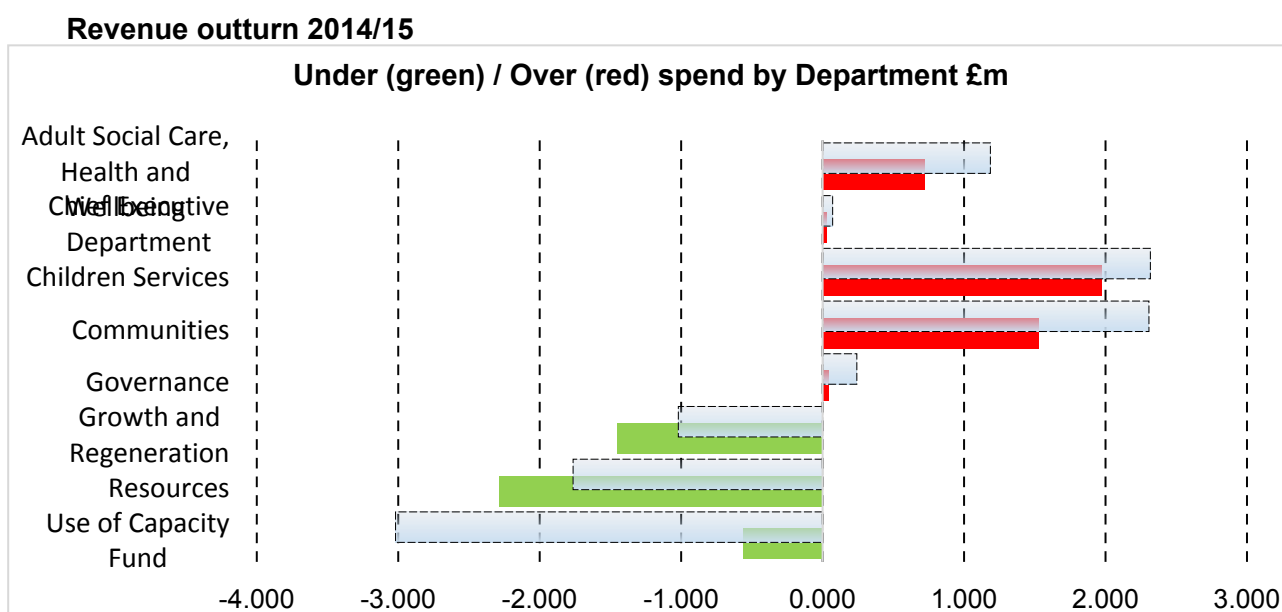
4.1 **Corporate Overview**

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

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

4.2 Financial Report – Revenue Outturn

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



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

4.3 Financial Report – Reserves

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

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

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

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

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

4.4 Financial Report – Capital

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

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

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

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

Growth & Regeneration

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

Resources

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

Invest to Save

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

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

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

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

4.5 Financial Report – Treasury Management Activity for 2014/15

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

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

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

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

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

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

4.5.5 In 2014/15 the CFR was:

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

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

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

4.6 Financial Report – Performance Monitoring

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

5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6 ANTICIPATED OUTCOMES

6.1 To approve the reserves position of the Council.

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

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

7. REASONS FOR RECOMMENDATIONS

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

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9. IMPLICATIONS

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

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

10. BACKGROUND DOCUMENTS

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

Detailed monthly budgetary control reports prepared in Departments.

APPENDIX A - REVENUE MONITORING REPORT AT END OF MARCH 2015

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

Key Variances:

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

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

Chief Executive Department - balanced

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

Children Services - £2.0m overspend

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

Communities - £1.5m overspend

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

Governance - £0.0m balanced

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

Growth and Regeneration - £1.5m underspend

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

Resources - £2.3m underspend

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

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

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

Indicator One: Estimates and actual Capital Expenditure 2014/15

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

	Indicator	Actual
Capital Expenditure	£260.8m	£108.8m

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

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

	Indicator	Actual
CFR	£594.1m	£422.4m

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

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

	Indicator	Actual
Financing costs to revenue stream	7.1%	5.9%

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

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

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

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

Indicator Five: Net Debt and the CFR

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

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

Indicator Six: External Debt Prudential Indicator

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

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

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

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

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

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

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

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

Indicator Seven: Variable interest rate exposure

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

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

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

Indicator Eight: Fixed Interest rate exposure

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

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

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

Indicator Nine: Prudential limits for maturity structure of borrowing

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

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

Indicator Ten: Total Investments for periods longer than 364 days

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

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

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

Appendix C – Performance Monitoring

1. Treasury Management Update – March 2015

1.1 Economic Update

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

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

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

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

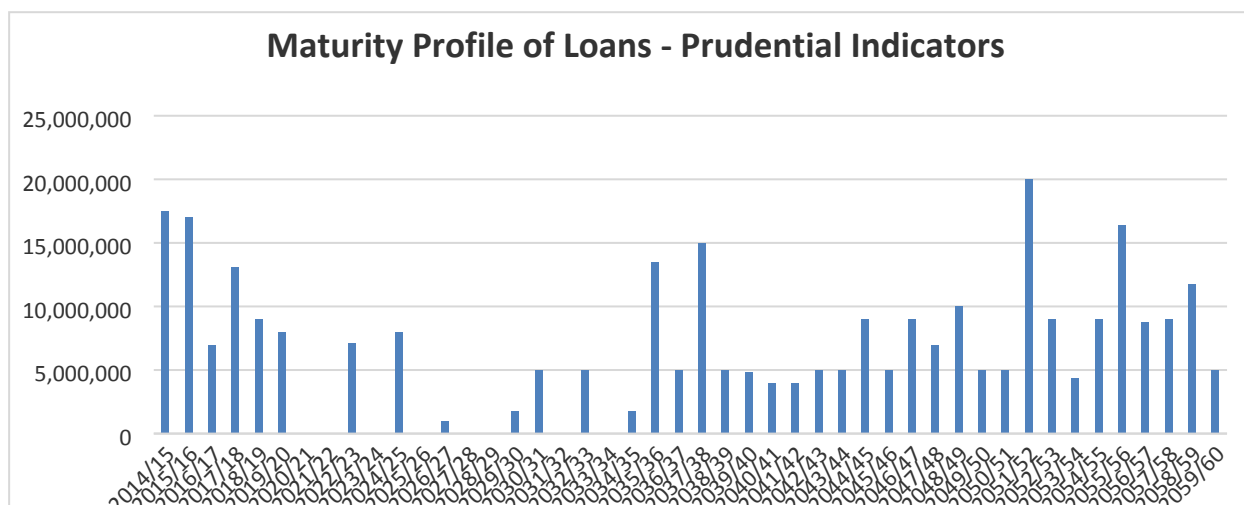
2.1 Borrowing

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

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

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

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



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

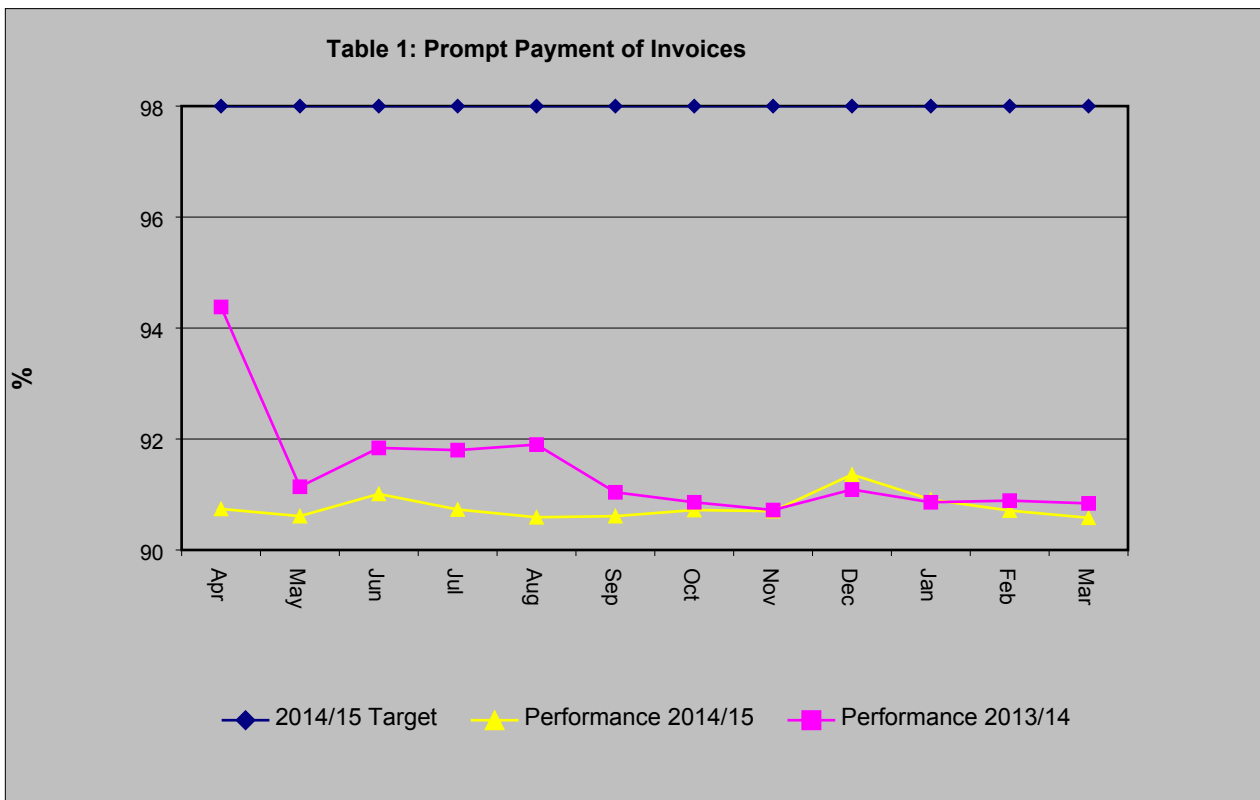
3.1 Investments

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

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

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

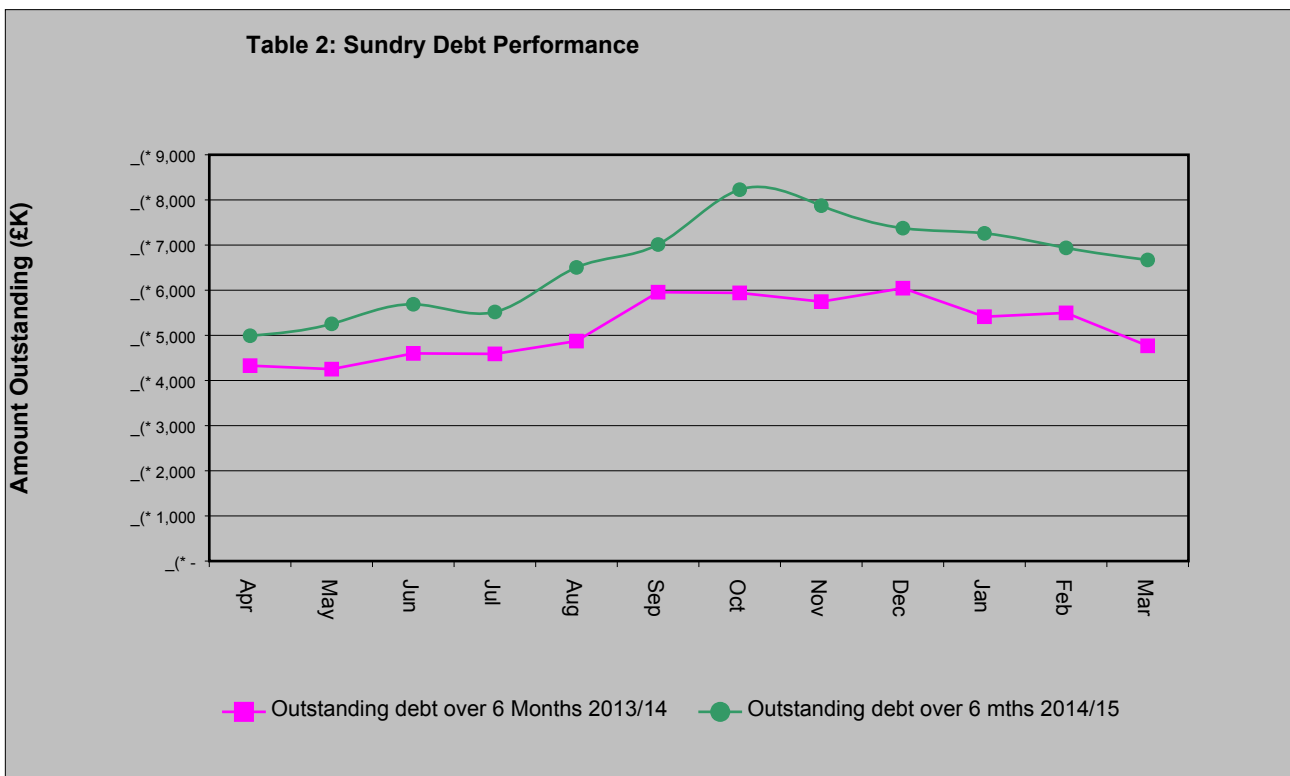
Performance against the prompt payment of invoices indicator has been adversely affected by current business processes which require intervention from officers across the council. It is anticipated that when the council changes financial system during 2015/16 business processes will be improved.



3. Sundry Debt Performance

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

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

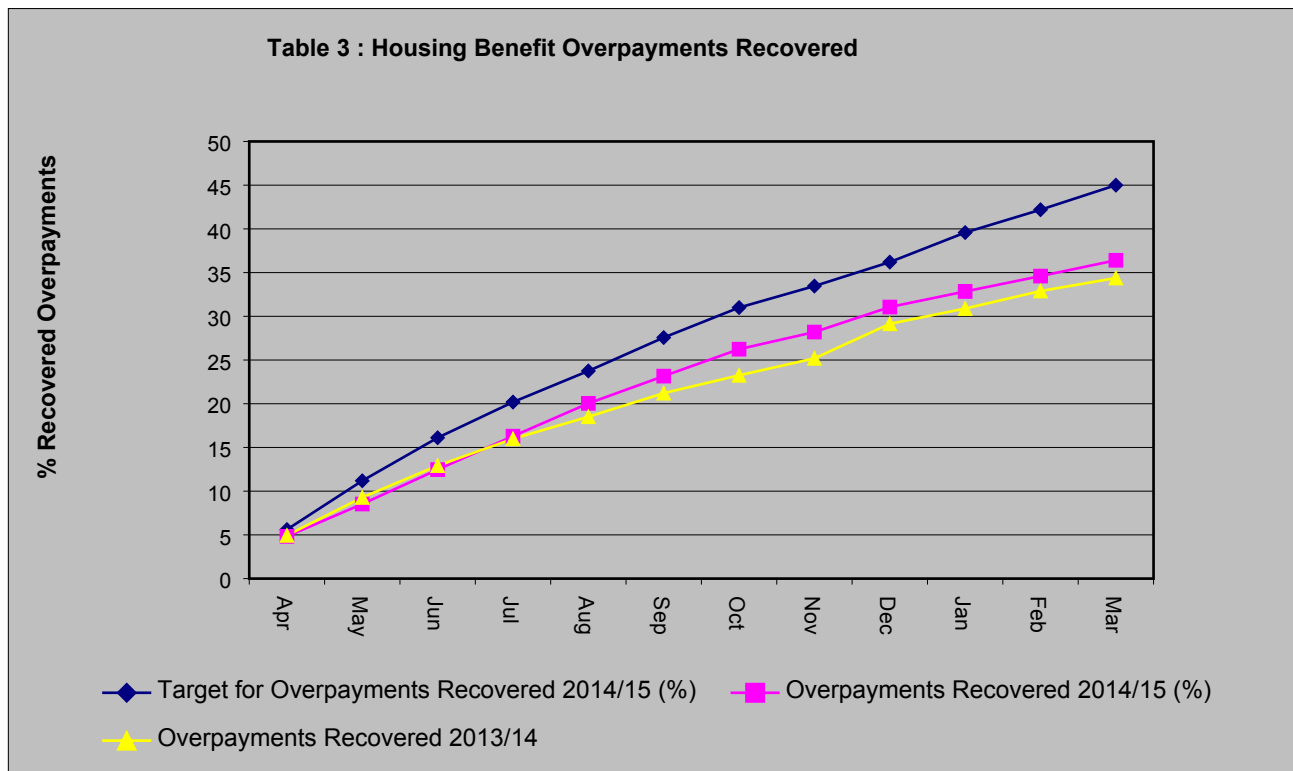


4. Housing Benefit Overpayments

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

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

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



5. Council Tax and Business Rates Collection

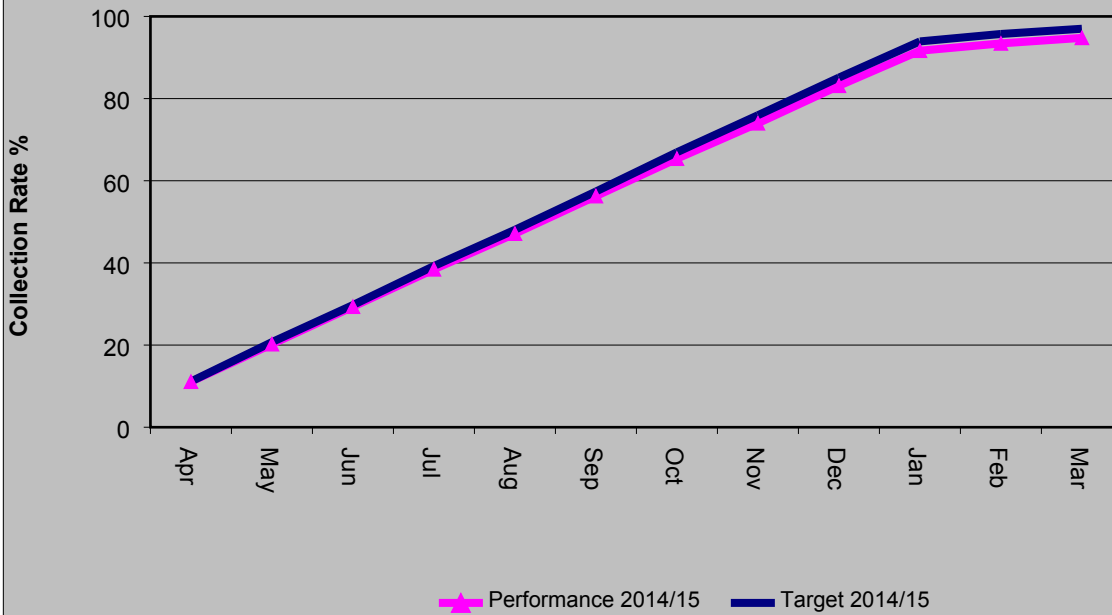
Tables 4 and 5 show the performance for the collection of Council Tax and Business Rates for the period to date.

6. Council Tax Collection

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

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

Table 4: Council Tax Collection

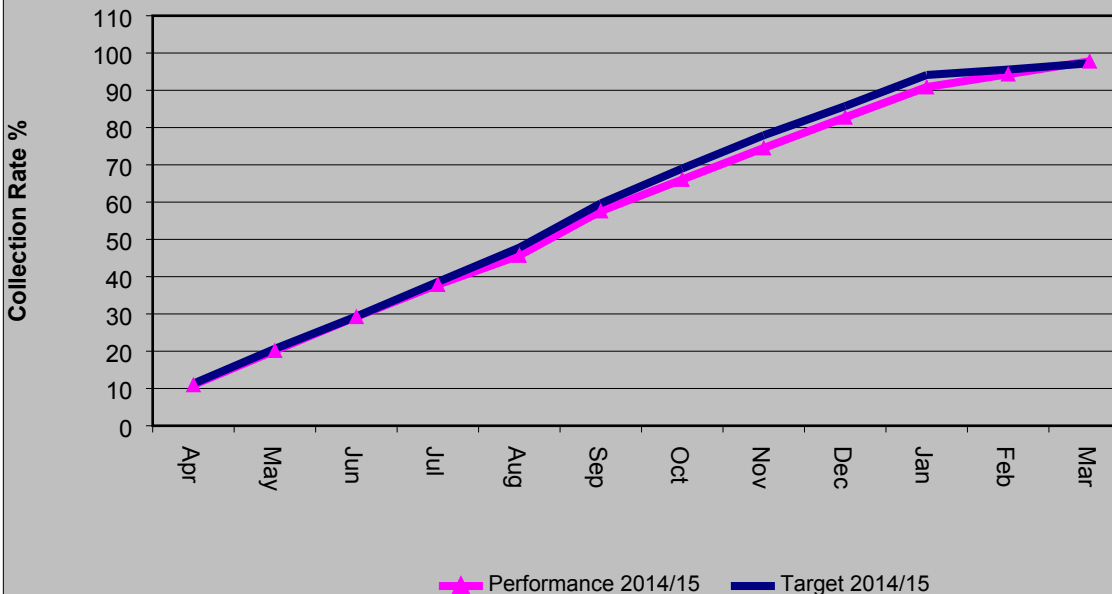


7. Business Rates

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

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

Table : Business Rate Collection



AUDIT COMMITTEE	AGENDA ITEM NO. 5
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Seaton	
Committee Member(s) responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director Financial Services	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

R E C O M M E N D A T I O N S	
FROM : Corporate Director Resources	Deadline date : 30 June 2015; statutory deadline for approving Accounts
1. For members to review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2015.	

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 must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2011. The Council's Constitution delegates this matter to the Audit Committee.
- 2.2. 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.
- 2.3. The Accounts must be signed and certified by 30 June 2015 by the Council's Section 151 officer (Corporate Director Resources), in accordance with the Accounts and Audit Regulations 2011.
- 2.4. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2015.
- 2.5. The Audit Committee is required to approve the Accounts no later than 30 September 2015 following, and in the knowledge of, the audit findings.
- 2.6. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for

Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

3. **TIMESCALE**

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

- 4.1. The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions and consolidation issues relating to schools. In previous years it had been recognised, that at a national level, there had been inconsistency between Councils on their respective accounting treatment of school transactions.
- 4.2. The Council has amended its accounting policies, after considering the clarification points raised, in relation to Foundation Schools such that property, plant and equipment of such schools are now included in the Council's balance sheet.
- 4.3. This clarification has also enabled the Council to review its treatment of 'private funds' held by schools against the accounting definition of 'control'. The review identified some funds where control does reside with the school, and therefore these funds have been consolidated into Council's accounts.
- 4.4. Further information on the above adjustments, and other minor presentational adjustments can be found in Note 45 of the Statement of Accounts.

Format of the Accounts

- 4.5. The Accounts for 2014/15 conform with CIPFA's (Chartered Institute of Public Finance & Accountancy) Service Reporting Code of Practice for Local Authority Accounts and the Code of Practice on Local Authority Accounting (the Code). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.6. The key contents of the various sections are as follows:
 - *Explanatory Foreword* - provides an understandable guide to the most significant matters reported in the accounts;
 - *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 2015;

- *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 2014/15;
- *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
- *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 September 2015, following its approval.

Comprehensive Income and Expenditure Statement

- 4.7. This statement shows the Council's activities and summarises the resources generated, consumed or set aside. It is presented in accordance with the Service Reporting Code of Practice (SeRCOP) to enable comparability between other local authorities and not the Council's organisational structure.

Balance Sheet at 31 March 2015

- 4.8. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2015 with the comparative figures for 31 March 2014. 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.
- 4.9. Long term assets have increased by £42.5m, the majority of this movement is the increase in Assets under Construction and an increase in Infrastructure assets.
- 4.10. The increase in long term creditors is mainly caused by the movement in the Pensions Liability which has increased by £54.7m. This is a result of changes in market conditions, where liabilities have increased due to falling real bond yields but have partially been offset by strong asset returns.
- 4.11. Borrowing has been undertaken to support the Council's capital investment programme and to cover short term cash flow fluctuations only. To take advantage of the current favourable long term borrowing rates, long term borrowing has increased by £78.8m whilst short term borrowing has decreased by £26.1m.

Reserves and Balances

- 4.12. As reported to Council in March 2015, the 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 2014/15 remains at £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.13. 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.

- 4.14. The total reserves have moved by £67.7m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Capital Adjustment Account.
- 4.15. 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 4.10 and thus this reserve has increased by the same £54.7m.
- 4.16. The Capital Adjustment Account, which has decreased by £22.2m, reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. Charges such as depreciation and impairment were greater than the capital receipts and grants income for the year. Capital expenditure on schools and Academies have not increased the value of the balance sheet by the equivalent amount invested in the developments at these sites.
- 4.17. Earmarked Reserves are detailed in Note 17 and show the movements during the year and the balances at 31 March 2015. The Outturn report gives an overview of expected movements in 2015/16 and projected final year end balances at 31 March 2016.

Schools

- 4.18. Details on Schools Balances are shown in Note 16 to the Statements in the Accounts. This shows that there was a net decrease in School Balances during 2014/15 of £0.8m from £7.1m to £6.3m. As noted in 4.3 above School Balances now include 'private funds' held by schools, which for 2014/15 totalled £0.5m.

Audit Fee

- 4.19. The Audit Commission published audit fees for the Council of £144.7k for 2014/15. The fees of £160k shown in this note includes a provisional amount for extra work expected to be undertaken by PwC as part of their audit service based on past experience. For example during 2013/14 additional work was required on the changes in the Council Tax Support scheme, localisation of Business Rates along with elector's questions.

Next Steps - approval, signing, inspection and audit

- 4.20. The revised Accounts and Audit Regulations 2011, 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 30 June 2015;

- 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 September 2015; and
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 4.21. The Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Finance Officer's certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at this meeting.
- 4.22. The Auditor will decide the date (24 August 2015) from which they will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).
- 4.23. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2014/15. This will be considered at the Audit Committee meeting on 21 September 2015.

5. CONSULTATION

No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2011 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 13 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

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

- Budgetary control reports through 2014/15
- Council March 2014: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2011, Statutory Instrument

11. APPENDICES

- Appendix A - Statement of Accounts 2014/15

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2014/15

For further copies of this document or questions about it please contact:

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Peterborough City Council

Statement of Accounts 2014/15

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Explanatory Foreword

1 The Council's Vision and Strategic Priorities

A bigger and better Peterborough that grows the right way
- through truly sustainable development and growth

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

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

2 The Accounts

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2011 and The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code).

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2014/15. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Peterborough City Council. The key contents of the various sections are as follows:

- *Explanatory Foreword*
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the Chief Finance 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 2015
- *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 2014/15

- *Notes to the Financial Accounts* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund and 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

3 Revenue Expenditure

The Comprehensive Income and Expenditure Statement (CIES) on page 9 shows the gross revenue expenditure and income together with net expenditure for 2014/15 compared with 2013/14 equivalents. The CIES is analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's organisational structures, on which the estimates for the year and budget monitoring during the year are based, do not correlate directly with SeRCOP, Note 15 page 29, demonstrates the presentational differences between these reporting requirements.

The Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. Budget managers receive detailed budgetary control information each month and most have access to online computerised systems. At departmental level, a monthly report on the budgetary control position for the relevant services is reviewed by each Departmental Management Team.

The following table reflects Council's organisation following the first phase of the Senior Management Restructure, see point 7 for further details on the restructures. It compares the revenue budget to the actual net expenditure. Figures in brackets indicate a favourable variance.

Revenue Expenditure	Budget £000	Actual £000	Variance £000
Adult Social Care Health & Wellbeing	41,158	41,883	725
Chief Executive's	444	471	27
Children Services	14,044	16,021	1,977
Communities	40,836	42,362	1,526
Governance	5,962	6,006	44
Growth & Regeneration	15,075	13,624	(1,451)
Resources	40,071	37,792	(2,279)
Use of Capacity Reserve	2,703	-	(2,703)
Total Council Expenditure	160,293	158,159	(2,134)
Transfer to Capacity Reserve			2,134
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

Overall the Council achieved a balanced budget position, using only £0.6m of reserves rather than the budgeted amount of £2.7m. This was a result of underspends in capital financing due to delays in completion of capital projects, income from the VAT Shelter arrangement with Cross Key Homes and management action to achieve savings from service delivery. This underspend is incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement on page 10. The outturn report which is presented to both Cabinet, 15 June 2015, and Audit Committee, 29 June 2015, provides further information on this position.

Balances

At 31 March 2015, the General Fund working balance of the Council stood at £6m which is in line with the Medium Term Financial Strategy (MTFS).

In addition the Schools balances totalled £6.3m at 31 March 2015, compared to £7.1m at 31 March 2014. These figures now include 'private funds' held by schools, see point 6 for further information on inclusion of 'private funds'.

4 Capital Expenditure

The main elements of capital expenditure, compared with the revised December 2014 budget after slippage, are shown below.

Capital Expenditure	Budget 01/04/2014 £000	Revised Budget £000	Actual Expenditure £000
Adult Social Care	3,860	1,195	975
Chief Executives	671	231	65
Communities	3,954	3,438	2,398
Governance	69	69	20
Growth & Regeneration	46,496	36,958	26,164
Invest to Save	95,274	41,292	4,319
Resources	75,080	65,987	52,963
Resources - Children's	33,369	22,990	21,889
Resources - Renewable Energy	26,200	26,200	62
Total	284,973	198,360	108,855
Financed by:			
External Sources	37,081	35,286	35,561
Capital Receipts	9,764	9,100	2,905
Borrowing	238,128	153,974	70,389
Total	284,973	198,360	108,855

The Capital Expenditure was funded by a mixture of grants and contributions (External Sources), capital receipts and borrowing.

5 External Borrowings and Investments

The Capital and Treasury Management Strategies, approved as part of the Councils MTFS in March 2014, detail the framework within which the Council's capital investment plans are to be delivered. The reduction in government grants available in recent years has influenced the size of the capital programme and has meant that prudential borrowing becoming the main source of financing for capital projects, as can be seen in the previous table. The table below shows that at 31 March 2015 the Council had net borrowings including cash and outstanding interest of £299.8m (£247.2m in 2013/14). Further information on capital financing can be found in Note 25.

2013/14 £m		2014/15 £m
63.6	Short Term Borrowing	37.5
192.5	Long Term Borrowing	271.3
(8.9)	Investments	(9.0)
247.2	Net Borrowing	299.8

6 Changes in Accounting Policies

The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions and consolidation issues relating to schools. This has resulted in the Council amending its accounting policies in relation to Foundation Schools such that property, plant and equipment of such schools are now included in the Council's balance sheet. See Note 45 for further information.

This clarification has also enabled the Council to review its treatment of 'private funds' held by schools against the accounting definition of 'control'. The review identified some

funds where control does reside with the school, and therefore these funds have been consolidated into Council's accounts.

7 Changes to Service Delivery and Future Developments

On 2 March 2015, phase two of the corporate management restructure was implemented. This second phase complements the first, implemented in November 2013, in the move to the Council becoming a commissioning organisation. Alongside this the Council is initiating a 'Customer Experience' programme which will redefine the way customers interact with the Council using various digital means. The aim is to optimise processes and deliver Council services in more responsive ways which in turn will contribute towards becoming a commissioning organisation. Note 15 shows how the amounts reported to management are reflected in the Comprehensive Income and Expenditure Statement (CIES).

In February 2013 the Council entered into a contract with Virridor to build an 'energy from waste' facility. The facility is being built close to the power station in Fengate, and has been designed to meet the city's needs for the next 30 years. The facility will use heat to turn any waste that cannot be recycled, into ash and will save over 10,000 tonnes of CO₂ every year compared to sending the city's waste to landfill. As well as being used to dispose of waste, it will generate power that can be sold. It is expected that this facility will be fully operational in December 2015.

In February 2014 Cabinet and Council approved the establishment of a joint venture company with an Investment Fund as part of delivering Peterborough's Growth Agenda. In December 2014 the establishment of a Joint Venture (JV) Limited Liability Partnership with Lucent Peterborough

Partnership SARL was agreed. The purpose of the joint venture company will be to establish a pipeline of regeneration projects and create special purpose vehicles to prepare viable and consented development schemes for a series of sites around the city.

The Care Act 2014 introduces responsibilities on local authorities which include additional duties in respect of self-funders and carers, people in prisons and other areas, and come into force from April 2015. Government grants have been provided for these changes, however further analysis is required to determine the full cost of this change and whether the grant received is sufficient to meet demand. Further responsibilities relating to a cap on residential care placement payments, care accounts and other changes come in to effect from April 2016.

Children's public health commissioning responsibilities for 0-5 year olds will transfer from NHS England to local authorities on 1 October 2015. This transfer will join up that already done by local authorities for children and young people aged 5-19. Commissioning responsibilities to be transferred include the Health Visiting service incorporating universal to targeted programmes and the Family Nurse Partnership.

8 Pensions

The main statements include entries to show the financial position of the Council's share of the Cambridgeshire Local Government Pension Fund. Based on the information supplied by the actuary in compliance with IAS19, the calculated deficit on the Fund has increased during 2014/15, from £224.3m in 2013/14 to £279.0m, an increase of £54.7m. The deficit has risen despite the measures introduced by Central Government to reduce pressures by increasing the retirement age and

employee contributions. The increase in liability is a result of changes in market conditions, where liabilities have increased due to falling real bond yields which have partially been offset by strong asset returns.

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. Contribution rates relating to the schools element have increased to 19.6% as there has been no cash lump sum paid to the Fund. This approach helps maintain pension contributions as payrolls decline. These contributions were provided for in the Council's MTFS. Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. Further details can be found in Note 7, page 17.

9 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 be controlled or influenced by the Council. These disclosures can be found in Notes 0 and 14, and also on the Council's website in the Register of Interests for each Councillor.

10 External Auditors

The 2014/15 Statement of Accounts is the final year that PricewaterhouseCoopers LLP are the Council's appointed auditors. In December 2014 the Audit Commission wrote to the Council to confirm that EY LLP will audit the Council's accounts

for two years from 2015/16. The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated that it will make a decision in the summer of 2015 about whether to extend the contracts from 2017 to 2020. See Note 3 for further information on external audit fees.

11 Conclusion

The Statement of Accounts includes a great deal of information on the financial activities of the Council and provides a good insight into its workings.

The Council approved the revenue and capital budget requirement for 2014/15 in the March 2015 MTFS. The budget supported the Council's key priorities and included £19m of savings as a result of a combination of £9m reduction in funding and £10m pressure through an increased demand for services.

Throughout the year the Corporate Management Team and Cabinet regularly challenged the financial position with reports taken to Cabinet meetings held between September 2014 and March 2015. This ensured that pressures and risks were managed and could be factored in to the development of budget proposals for 2015/16 and future financial years. The first phase of proposals were consulted on during November and December 2014, further proposals were consulted on during January and February 2015. Financial plans were also considered by a cross-party budget working group.

The Council's earmarked reserves have improved in the year but the majority of these balances will be required during 2015/16 and have resulted from timing issues between financial years reflecting when commitments are likely to occur.

The Council has successfully managed the financial challenges during 2014/15 by being proactive in balancing the demands of local circumstances with the financial constraints of the national economic climate. This action has resulted in a balanced budget position and contribution to reserves to meet future year's challenges. Challenges include the Council's budget for 2015/16 which requires spending reductions of £25.1m with a further £10.1m of savings to be identified to address the budget gap in 2016/17. The Council is also mindful of the Chancellor's additional budget due on the 8 July 2015, which is likely to have a further impact on the Council's funding as the new government implements commitments outlined in its election campaign.

The Council remains committed to its strategy of delivering service efficiencies and improvements using a proactive approach to managing Council finances and through the continued delivery of a longer term financial plan covering a rolling ten year cycle.

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

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

John Harrison
Corporate Director: Resources

Independent Auditor's Report to the Members of Peterborough City Council

This page will be updated with the audit report following completion of the external audit – September 2015

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Signed: _____

Date: _____

Julian Rickett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich

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 Corporate Director: Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2015 was approved at the meeting of the Audit Committee on 21 September 2015.

Signed on behalf of Peterborough City Council:

Chairman of meeting
approving the accounts:

*Note – not to be signed until
September 2015*

(Andy Coles)

Date:

September 2015

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 9 to 85 present a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Corporate Director:
Resources:

Date:

John Harrison

June 2015

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.

<i>Restated 2013/14*</i>						2014/15	
<i>Gross Expenditure</i>	<i>Gross Income</i>	<i>Net Expenditure</i>	Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 13)	Gross Expenditure	Gross Income	Net Expenditure
<i>£000</i>	<i>£000</i>	<i>£000</i>			£000	£000	£000
1,262	(569)	693	Central Services to the Public		1,702	(732)	970
419	-	419	Court Services		442	-	442
12,305	(1,557)	10,748	Cultural & Related Services		10,691	(2,157)	8,534
253,448	(183,000)	70,448	Education & Children's Services	1, 6	229,875	(165,236)	64,639
17,948	(5,879)	12,069	Environmental & Regulatory Services		18,804	(6,596)	12,208
25,614	(6,940)	18,674	Highways & Transport Services		24,811	(5,975)	18,836
84,280	(77,390)	6,890	Other Housing Services		85,190	(78,382)	6,808
10,683	(4,024)	6,659	Planning Services		10,121	(4,437)	5,684
66,627	(16,631)	49,996	Adult Social Care	2, 6	66,698	(16,390)	50,308
8,536	(8,512)	24	Public Health		8,990	(9,466)	(476)
3,259	(1,211)	2,048	Corporate & Democratic Core	3, 4	1,716	(59)	1,657
-	(121)	(121)	Non Distributed Costs		-	(6,627)	(6,627)
484,381	(305,834)	178,547	Cost of Services	15	459,040	(296,057)	162,983
4,998	(2,731)	2,267	Other Operating Income & Expenditure	9	2,943	(2,916)	27
38,692	(4,867)	33,825	Financing & Investment Income & Expenditure	10,11	59,229	(6,585)	52,644
6,574	(176,342)	(169,768)	Taxation & Non-Specific Grant Income & Expenditure	12	6,792	(186,804)	(180,012)
534,645	(489,774)	44,871	(Surplus) / Deficit on Provision of Services	15	528,004	(492,362)	35,642
		(13,843)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(19,343)
		(2,740)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			51,438
		(16,583)	Other Comprehensive Income & Expenditure				32,095
		28,288	Total Comprehensive Income & Expenditure				67,737

* The restatement has occurred due to prior period adjustments, please see Note 45

Movement in Reserves Statement

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 Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement, page 9. These are different

from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 16.

Restated Movement in Reserves during 2013/14 and 2014/15	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
<i>The restatement has occurred due to prior period adjustments, please see Note 45</i>		£000	£000	£000	£000	£000	£000	£000	£000
<i>Balance at 1 April 2013</i>	16	6,000	6,758	15,304	-	1,442	29,504	16,709	46,213
<i>Deficit / (Surplus) on Provision of Services</i>		(45,232)	361	-	-	-	(44,871)	-	(44,871)
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	16,583	16,583
Total Comprehensive Income & Expenditure		(45,232)	361	-	-	-	(44,871)	16,583	(28,288)
<i>Adjustments between accounting basis & funding basis under regulations</i>		51,380	-	-	-	(123)	51,257	(51,257)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		6,148	361	-	-	(123)	6,386	(34,674)	(28,288)
<i>Transfers to / (from) Earmarked Reserves</i>		(6,148)	-	6,148	-	-	-	-	-
Increase / (Decrease) in 2013/14		-	361	6,148	-	(123)	6,386	(34,674)	(28,288)
Restated Balance at 31 March 2014 Carried Forward		6,000	7,119	21,452	-	1,319	35,890	(17,965)	17,925
Balance at 1 April 2014		6,000	7,119	21,452	-	1,319	35,890	(17,965)	17,925
<i>Deficit / (Surplus) on Provision of Services</i>		(34,812)	(830)	-	-	-	(35,642)	-	(35,642)
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(32,095)	(32,095)
Total Comprehensive Income & Expenditure		(34,812)	(830)	-	-	-	(35,642)	(32,095)	(67,737)
<i>Adjustments between accounting basis & funding basis under regulations</i>		36,438	-	-	-	127	36,565	(36,565)	-
Net Increase before Transfers to Earmarked Reserves		1,626	(830)	-	-	127	923	(68,660)	(67,737)
<i>Transfers to / (from) Reserves</i>		(1,626)	-	1,626	-	-	-	-	-
Increase / (Decrease) in 2014/15		-	(830)	1,626	-	127	923	(68,660)	(67,737)
Balance at 31 March 2015 Carried Forward		6,000	6,289	23,078	-	1,446	36,813	(86,625)	(49,812)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date 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 10, line 'Adjustments between accounting basis and funding basis under regulations'.

<i>Restated 1 April 2013*</i>	<i>Restated 31 March 2014*</i>	Balance Sheet	Notes	31 March 2015
£000	£000			£000
512,961	539,037	Property, Plant & Equipment	18	578,378
35,208	35,047	Investment Property	19	33,031
3,208	1,942	Intangible Assets	20	6,758
143	30	Long Term Investments	28	45
2,332	2,596	Long term Debtors	28, 29	2,993
553,852	578,652	Long Term Assets		621,205
141	47	Short Term Investments	28	59
341	288	Inventories	31	296
46,055	56,454	Short Term Debtors	32	50,084
1214	2,789	Cash & Cash Equivalents	39	7,870
5	-	Current Intangible Asset		-
435	-	Assets Held for Sale	21	221
48,191	59,578	Current Assets		58,530
(57,327)	(63,600)	Short Term Borrowing	28	(37,524)
(67,134)	(72,442)	Short Term Creditors	33	(78,367)
(2,810)	(6,461)	Provisions	34	(6,835)
(127,271)	(142,503)	Current Liabilities		(122,726)
(216,288)	(224,282)	Long Term Creditors	7	(279,022)
(654)	(465)	Provisions	34	(419)
(153,387)	(192,478)	Long Term Borrowing	28	(271,254)
(42,610)	(40,368)	Other Long Term Liabilities	26, 27, 28, 29	(38,376)
(15,620)	(20,209)	Capital Grants Receipts in Advance	35	(17,750)
(428,559)	(477,802)	Long Term Liabilities		(606,821)
46,213	17,925	Net Assets		(49,812)
(29,504)	(35,890)	Usable Reserves	16	(36,813)
(16,709)	17,965	Unusable Reserves	16	86,625
(46,213)	(17,925)	Total Reserves		49,812

* The restatement has occurred due to a prior period adjustment, please see Note 45

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 as operating, investing and financing activities. Investing activities represent the extent to which

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

<i>Restated 2013/14* £000</i>	Cash Flow Statement	Notes	2014/15 £000
44,871	Net (Surplus) / Deficit on the Provision of Services		35,642
(47,543)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(22,428)
(38,951)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(33,063)
(41,623)	Net Cash Flows from Operating Activities		(19,849)
87,525	Investing Activities	37	107,672
(47,476)	Financing Activities	38	(92,904)
(1,574)	Net (Increase) / Decrease in Cash & Cash Equivalents		(5,081)
1,215	Cash & Cash Equivalents at the Beginning of the Reporting Period		2,789
1,574	Increase / (Decrease) in Cash and Cash Equivalents		5,081
2,789	Cash & Cash Equivalents at the end of the Reporting Period	39	7,870

* The restatement has occurred due to prior period adjustments, please see Note 45

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2014/15 and for the previous financial year 2013/14 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2014/15 before Academy recoupment			(166,191)
Academy figure recouped for 2014/15			48,034
Total DSG after Academy recoupment for 2014/15			(118,157)
Brought forward from 2013/14			(1,826)
Carry forward to 2015/16 agreed in advance			3,710
Agreed initial budgeted distribution in 2014/15	(32,606)	(83,667)	(116,273)
In year adjustments	-	-	-
Final budgeted distribution for 2014/15	(32,606)	(83,667)	(116,273)
Less actual central expenditure	30,805	-	30,805
Less actual ISB deployed to schools	-	83,667	83,667
Plus Council contribution for 2014/15	-	-	-
Carry Forward to 2015/16	(1,801)	-	(1,801)
Total amount carried forward			(5,511)

The Council's expenditure on running schools is funded primarily by grant monies provided by the Department for Education, the DSG. An element of DSG is recouped by the Department 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 (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis

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

<i>Schools Budget Funded by Dedicated Schools Grant</i>	<i>Central Expenditure £000</i>	<i>ISB £000</i>	<i>Total £000</i>
<i>Final DSG for 2013/14 before Academy recoupment</i>			<i>(158,229)</i>
<i>Academy figure recouped for 2013/14</i>			<i>35,605</i>
<i>Total DSG after Academy recoupment for 2013/14</i>			<i>(122,624)</i>
<i>Brought forward from 2012/13</i>			<i>(898)</i>
<i>Carry forward to 2014/15 agreed in advance</i>			<i>1,613</i>
<i>Agreed initial budgeted distribution in 2013/14</i>	<i>(32,190)</i>	<i>(89,719)</i>	<i>(121,909)</i>
<i>In year adjustments</i>	-	-	-
<i>Final budgeted distribution for 2013/14</i>	<i>(32,190)</i>	<i>(89,719)</i>	<i>(121,909)</i>
<i>Less actual central expenditure</i>	<i>31,977</i>	-	<i>31,977</i>
<i>Less actual ISB deployed to schools</i>	-	<i>89,719</i>	<i>89,719</i>
<i>Plus Council contribution for 2013/14</i>	-	-	-
<i>Carry Forward to 2014/15</i>	<i>(213)</i>	-	<i>(213)</i>
<i>Total amount carried forward</i>			<i>(1,826)</i>

2 Pooled Funds

The Council has three Section 75 (S75) agreements with health partners. Two of the agreements, for Learning Disability services and Integrated Community Equipment Services, are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The third agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Learning Disability Services

The annual agreement for 2014/15 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 Adult Social Care line in the Comprehensive Income and Expenditure Statement (CIES) of £0.9m (2013/14 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2014/15 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.3m (2013/14 £0.3m) to this Pooled Partnership is shown in the Adult Social Care line in the CIES.

Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this Pooled Partnership of £1.1m (2013/14 £1.2m) is shown in the Adult Social Care line in the CIES.

3 External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors, PricewaterhouseCoopers LLP. The 2013/14 amounts have been restated to reflect the actual final payments made for that year, which were previously disclosed as additional text to this note, as estimated figures had been used.

<i>Restated</i> 2013/14	External Audit Costs	2014/15
£000		£000
167	Fees payable with regard to external audit services carried out by the appointed auditor *	160
18	Fees payable for the certification of grant claims & returns carried out by the appointed auditor *	19
12	Other reporting responsibilities	-
-	Other services provided by the appointed auditor (audit of Teachers Pensions return)	10
<u>197</u>	Total	189

* The fees for 2014/15 are the scale fees agreed by the Audit Commission of £145k and includes an additional amount of £15k in relation to extra work anticipated to be undertaken by PwC. Similarly an additional £4k has been included in the grant claims line in anticipation of additional testing that may be required that was not included within the agreed scale fees.

4 Member's Allowances

The following amounts were paid to members of the Council.

2013/14	Member's Allowances	2014/15
£000		£000
676	Allowances	663
2	Expenses	4
<u>678</u>	Total	667

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2014/15, incurring liabilities of £1.1m (£1.6m 2013/14). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

The costs include those paid and those provided for in the year (see Note 34 for details of the redundancy provision). The costs were charged to the Comprehensive Income and Expenditure Statement as shown in the following table:

2013/14 £000		2014/15 £000
	Termination Benefits	
7	Central Services to the Public	-
751	Education & Children's Services	285
-	Environmental & Regulatory Services	102
74	Highways & Transport Services	43
15	Other Housing Services	-
144	Planning Services	146
-	Adult Social Care	105
339	Public Health	171
96	Corporate & Democratic Core	78
46	Trading Operations	-
174	Support Services (<i>recharged to the services</i>)	148
1,646	Total	1,078

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 bands of £50k thereafter.

Termination and Exit Packages 2014/15							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
				£000	£000	£000	
1	18	19	£0 - £19,999	2	192	194	1
-	18	18	£20,000 - £39,999	-	501	501	57
-	5	5	£40,000 - £59,999	-	239	239	84
-	2	2	£60,000 - £79,999	-	144	144	25
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £149,999	-	-	-	-
-	-	-	£150,000 - £199,999	-	-	-	-
1	43	44	Total	2	1,076	1,078	167

Termination and Exit Packages 2013/14							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
				£000	£000	£000	
4	39	43	£0 - £19,999	29	358	387	7
-	14	14	£20,000 - £39,999	-	411	411	24
-	7	7	£40,000 - £59,999	-	321	321	1
-	2	2	£60,000 - £79,999	-	143	143	20
-	1	1	£80,000 - £99,999	-	92	92	-
-	1	1	£100,000 - £149,999	-	106	106	22
-	1	1	£150,000 - £199,999	-	186	186	-
4	65	69	Total	29	1,617	1,646	74

* 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 2014/15 the Council paid £5.5m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £5.9m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed 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. Present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.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 2014/15 the Council paid £0.3m to NHS Pensions in respect of employee's retirement benefits, representing 14% of pensionable pay. The figures for 2013/14 were £0.4m and 14%.

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, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Employee contribution rates are tiered according to employee's pay band as set out in the following table.

Pay Band 2014/15	Contribution Rate 2014/15
Up to £13,500	5.50%
£13,501 - £21,000	5.80%
£21,001 - £34,000	6.50%
£34,001 - £43,000	6.80%
£43,001 - £60,000	8.50%
£60,001 - £85,000	9.90%
£85,001 - £100,000	10.50%
£100,001 - £150,000	11.40%
Over £150,000	12.50%

Pay Band 2013/14	Contribution Rate 2013/14
Up to £13,000	5.50%
£13,701 - £16,100	5.80%
£16,101 - £20,800	5.90%
£20,801 - £34,700	6.50%
£34,701 - £46,500	6.80%
£46,501 - £87,100	7.20%
Over £87,100	7.50%

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.

<i>Restated 2013/14 £000</i>	Comprehensive Income and Expenditure Statement	2014/15 £000
	Cost of Services:	
12,042	Current service cost	12,748
121	Past service cost	64
-	Effect of settlements	(6,771)
	Financing & Investment Income & Expenditure	
(14,649)	Interest Income on Scheme Assets	(13,513)
24,395	Interest Cost on Defined Benefit Obligation	22,879
21,909	Total post-employment benefit charged to the Deficit on the Provision of Services	15,407
	Other employment benefit charged to the CIES	
25,946	Return on plan assets (excluding the amount included in the net interest expense)	(23,732)
(9,959)	Actuarial gains and losses arising on changes in demographic assumptions	-
21,858	Actuarial gains and losses arising on changes in financial assumptions	85,805
(40,484)	Other Experience	(10,535)
(101)	Adjustment to actuarial estimate contribution	(100)
(2,740)	Total Remeasurements Recognised in CIES	51,438
19,169	Total post-employment benefit charged to the CIES	66,845
	Movement in Reserves Statement	
(19,169)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(66,845)
	Actual amount charged against the General Fund Balance for pensions in the year:	
11,175	Employer's contributions payable to scheme	12,105
(7,994)	Total Movement in Reserves Statement	(54,740)

<i>31 March 2014 £000</i>	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2015 £000
314,791	Fair Value of Employer Assets	352,521
(514,453)	Present Value of Funded Liabilities	(610,397)
(24,620)	Present Value of Unfunded Liabilities	(21,146)
(224,282)	Total	(279,022)

<i>31 March 2014 £000</i>	Reconciliation of the Fair Value of the Scheme Assets	31 March 2015 £000
325,427	Opening fair value of Scheme Assets	314,791
-	- Contribution Adjustment	-
14,649	Interest Income	13,513
	Remeasurement gain/(loss)	
(25,946)	Return on plan assets, excluding the amount included in the net interest expense	23,732
-	- Effect of Settlements	(1,262)
11,175	Contributions from Employer	12,105
101	Adjustment for Actuarial estimated Employer Contributions	100
3,209	Contributions from Employees	3,308
(13,824)	Benefits Paid	(13,766)
314,791	Closing Fair Value of Scheme Assets	352,521

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £279m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 38. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2014	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2015
£000		£000
541,715	Opening Liability at 1 April	539,073
-	- Contribution Adjustment	-
12,042	Current Service Cost	12,748
24,395	Interest Cost	22,879
3,209	Contributions from Scheme Participants	3,308
	Remeasurement (gains) and losses	
(9,959)	Actuarial gains/losses arising from changes in demographic assumptions	-
21,858	Actuarial gains/losses arising from changes in financial assumptions	85,805
(40,484)	Other experience*	(10,535)
-	- Liabilities Extinguished on Settlements	(8,033)
121	Past Service Costs including curtailments	64
(13,824)	Benefits Paid	(13,766)
539,073	Closing Liability at 31 March	631,543

*The 'Other experience' remeasurement figure of £40.5m for 2013/14 relates to a change in the Present Value of Scheme Liabilities caused by the triennial valuation of the LGPS which took place in 2013/14 and is known as an 'experience' item. The use of a new triennial valuation leads to significant 'experience' items which relate to updated individual member data, as the roll-forward methodologies used between triennial valuations to calculate IAS 19 figures use approximate methods which do not allow for individual member movements

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.

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 category Private Equity.

31 March 2014	Local Government Pension Scheme Assets comprised	31 March 2015
	Equity Securities	
27,486	Consumer	34,915
25,978	Manufacturing	21,612
11,155	Energy and Utilities	9,932
31,757	Financial Institutions	28,831
9,280	Health and Care	17,163
18,824	Information Technology	15,939
874	Other	-
125,354	Sub-total equity	128,392
	Private Equity:	
18,726	Investment Funds and Unit Trusts	24,993
	Equities	108,596
101,219	Bonds	53,750
47,984	Other	26,227
17,311		
166,514	Sub-total Investment Funds and Unit Trusts	188,573
4,197	Cash and Cash Equivalents	10,563
314,791	Total Assets	352,521

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 based on the latest full valuation of the scheme as at the 31 March 2013.

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

31 March 2014	Long-term expected rate of return on assets in the scheme	31 March 2015
4.3%	Equity Investments	3.2%
4.3%	Bonds	3.2%
4.3%	Property	3.2%
4.3%	Cash	3.2%
Mortality Assumptions		
Longevity at 65 for Current Pensioners:		
22.5	Men (years)	22.5
24.5	Women (years)	24.5
Longevity at 65 for Future Pensioners:		
24.4	Men (years)	24.4
26.9	Women (years)	26.9
Financial Assumptions		
2.8%	Rate of inflation	2.4%
2.8%	Rate of increase in pensions	2.4%
4.6%	Rate of increase in salaries	4.3%
4.3%	Rate for discounting scheme liabilities	3.2%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 44 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty.

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 2013, and their recommendations have been implemented from April 2014. The actuary has recommended a combination of a lower employer

contribution percentage (from 17.6% to 16.3%) along with a cash lump sum into the fund. This helps maintain contributions as payrolls decline. These contributions were 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 scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £10.5m expected contributions to the scheme in 2015/16 along with a lump sum cash payment of £1.6m. This approach helps maintain pension contributions as payrolls decline. These contributions were provided for in the Councils MTFS.

The weighted average duration of the defined benefit obligation for active members is 26.2 years, deferred members 23.7 years and pensioner members 12.4 years.

8 Officers' Remuneration

The number of employees whose remuneration, including lump sum retirement payments but not any associated pension strain, was £50,000 or more in bands of £5,000 is shown in the following table.

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. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

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 2014/15 was approved on 16 April 2014.

Interim Directors and Directors not directly employed

In 2014/15 the Council entered into contracts with organisations to supply interim and a permanent Director of Public Health. The associated costs are detailed below. These reflect sums paid to those organisations, including fees, and do not necessarily reflect amounts received by the individuals themselves.

- There was an interim Director of Public Health from January 2014 to February 2015 and their cost of service in 2014/15 was £147,870 (2013/14 £23,850).
- The Director of Public Health appointed on 1 March 2015 is a joint appointment with Cambridgeshire County Council and the Council pays a fixed contribution to Cambridgeshire

County Council for the salary. The cost to the service in 2014/15 was £4,361.

2013/14 Number of Employees	Remuneration Band	2014/15 Number of Employees
76	£50,000 - £54,999	72
35	£55,000 - £59,999	37
31	£60,000 - £64,999	26
26	£65,000 - £69,999	22
7	£70,000 - £74,999	12
13	£75,000 - £79,999	8
10	£80,000 - £84,999	7
7	£85,000 - £89,999	7
1	£90,000 - £94,999	2
2	£95,000 - £99,999	3
2	£100,000 - £104,999	1
4	£105,000 - £109,999	-
1	£110,000 - £114,999	2
2	£115,000 - £119,999	1
2	£120,000 - £124,999	2
-	£125,000 - £129,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	1
1	£155,000 - £159,999	-
1	£160,000 - £164,999	-
1	£170,000 - £174,999	1
-	£175,000 - £179,999	1
1	£245,000 - £249,999	-

Senior Employees Remuneration

In 2014/15 the second part of the senior management restructure was implemented, this followed on from the first senior management restructure of November 2013. Disclosure covers the full year, the following tables include information relating to the previous senior management structure in place before November 2013; the first phase of the senior management restructure, and the second phase of the restructure which was implemented in March 2015. The following table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears.

Post Holder	Year	Salary ¹	Arrears	Compensation for loss of Office	Election duties ²	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ³	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley	2014/15	£169,265	-	-	£5,000	£174,265	£27,738	£202,003
	2013/14	£169,265	-	-	£1,599	£170,864	£29,951	£200,815
Corporate Director: Resources <ul style="list-style-type: none"> The post holder was Executive Director Resources until 1 March 2015 	2014/15	£140,217	-	-	£1,450	£141,667	£23,004	£164,671
	2013/14	£140,217	£19,935	-	£1,000	£161,152	£28,347	£189,499
Corporate Director: People & Communities <ul style="list-style-type: none"> 2014/15 the post holder was Director of Communities until 1 March 2015 and Corporate Director People and Communities from 2 March 2015 2013/14 The post holder was Director of Communities from 1 November 2013 	2014/15	£116,095	-	-	£200	£116,295	£19,060	£135,355
	2013/14	£48,060	-	-	-	£48,060	£8,459	£56,519
Corporate Director: Growth & Regeneration <ul style="list-style-type: none"> 2013/14 The post holder was Corporate Director Growth and Regeneration from 1 November 2013 	2014/15	£120,345	-	-	-	£120,345	£19,616	£139,961
	2013/14	£50,144	-	-	-	£50,144	£8,825	£58,969
Director of Governance <ul style="list-style-type: none"> 2013/14 The post holder was Director of Governance from 1 November 2013 and Acting Solicitor to the Council from 1 June to 31 October 2013 	2014/15	£95,475	-	-	2,270	£97,745	£15,562	£113,307
	2013/14	£73,979	-	-	-	£73,979	£13,020	£86,999

The table above reflects the current senior management structure. The following table includes senior employees no longer with the Council.

Post Holder	Year	Salary ¹	Arrears	Compensation for loss of Office	Election duties ²	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ³	Total Remuneration (inc. Pension contributions)
Executive Director: Children's Services	2014/15	£113,818	-	-	£200	£114,018	£18,677	£132,695
<ul style="list-style-type: none"> The post holder was Executive Director: Children's services until 1 March 2015 	2013/14	£124,269	-	-	-	£124,269	£22,000	£146,269
Executive Director of Adult Social Care, Health and Well Being	2014/15	£128,653	-	£49,929	£200	£178,782	£21,112	£199,894
<ul style="list-style-type: none"> 2014/15 The post holder was Executive Director of Adult Social Care Health and Well Being until 15 March 2015 2013/14 The post holder was Director of Adult Social Care Health and Well Being from 1 November 2013 and Acting Director of Adult Social Care from 15 April to 31 October 2013 	2013/14	£115,269	-	-	-	£115,269	£20,406	£135,675
Executive Director: Operations	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> 2013/14 The post holder was Executive Director Operations until 30 November 2013 	2013/14	£71,245	-	£49,443	£1,000	£121,688	£12,744	£134,432
Interim Director of Public Health	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> 2013/14 The post holder was Interim Director Public Health until 30 November 2013 	2013/14	£59,550	-	£186,438	-	£245,988	£8,438	£254,426
Solicitor to the Council	2014/15	-	-	-	-	-	-	-
<ul style="list-style-type: none"> 2013/14 The post holder was Solicitor to the Council until 31 May 2013 	2013/14	£17,531	-	£91,757	£1,000	£110,288	£3,085	£113,373
<p>1. Salary reflects actual amounts paid in the relevant period, and includes fees & allowances plus basic arrears. It reflects any deductions from pay, eg car parking charges which are deducted directly from earnings</p> <p>2. Payment for election duties depend on the on the elections overseen in the year. During 2014/15 there were European Elections as well as local elections.</p> <p>3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.</p> <p>N.B There were no Bonuses, Expenses Allowances, or Benefit's in Kind payable during the 2014/15 or 2013/14.</p>								

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

<i>Restated</i> 2013/14 * £000	Other Operating Income & Expenditure	2014/15 £000
391	Parish Council Precepts	445
581	Drainage & Flood Levies	593
4	Payments to the Government Housing Capital Receipts Pool (Note 16)	2
2,453	Net Losses on Disposal of Non-Current Assets	9
(1,162)	Gains on Right To Buy Receipts	(1,022)
2,267	Total	27

* The restatement relates to a prior period adjustment, please see Note 45

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

<i>Restated</i> 2013/14 * £000	Financing & Investment Income & Expenditure	2014/15 £000
11,204	Interest Payable & Similar Charges (Note 28)	13,233
(210)	Interest Receivable & Similar Income (Note 28)	(239)
9,746	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	9,366
(1,449)	(Gains) / Losses on Trading Operations - (Note 11)	1,669
1,751	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	1,898
984	Impairment of Current Assets	614
11,799	De-recognition of Subsidiary Assets	26,103
33,825	Total	52,644

* The restatement relates to a prior period adjustment, please see Note 45

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

11 Trading Operations

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

Trading Operations 2014/15	Expenditure	Income	Deficit /
	£000	£000	(Surplus) £000
Industrial Properties	529	(1,862)	(1,333)
Commercial Properties	793	(1,690)	(897)
Market Properties	327	(372)	(45)
Total for Properties	1,649	(3,924)	(2,275)
Westcombe Industries	1,188	(1,053)	135
Environment Capital	4,629	(1,369)	3,260
Other Traded Services	5,817	(2,422)	3,395
Sub Total	7,466	(6,346)	1,120
Capital Charges Adjustment	549	-	549
Total for Trading Units	8,015	(6,346)	1,669

Restated Trading Operations 2013/14* (see Note 45 for restatement)	Expenditure	Income	Deficit /
	£000	£000	(Surplus) £000
Industrial Properties	440	(1,723)	(1,283)
Commercial Properties	491	(1,127)	(636)
Market Properties	323	(379)	(56)
Total for Properties	1,254	(3,229)	(1,975)
Westcombe Industries	970	(904)	66
Environment Capital	467	(525)	(58)
Other Traded Services	1,437	(1,429)	8
Sub Total	2,691	(4,658)	(1,967)
Capital Charges Adjustment	518	-	518
Total for Trading Units	3,209	(4,658)	(1,449)

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the council and deliver aspects of the Council's Environment Capital vision. The deficit for 2014/15 was caused by one-off abortive costs of £3.3m related to the Wind & Solar capital project which Cabinet resolved to cease in February 15 due to changes in government support and national planning guidance.

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

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

Restated 2013/14* £000	Taxation & Non-Specific Grant Income	2014/15 £000
(57,124)	Council Tax Income	(58,947)
144	NDR Levy Payment	237
6,430	NDR Tariff Payment	6,555
(40,966)	NDR Income	(45,098)
(91,516)	Total Taxation Income	(97,253)
(55,166)	Non-Specific Government Grants	
(649)	Revenue Support Grant	(45,972)
(3,750)	Council Tax Freeze Grant	(663)
(987)	New Homes Bonus	(4,869)
(155)	Section 31 Grant	(1,510)
	Local Services Support Grant	(70)
(60,707)	Total Non-Specific Grants	(53,084)
(17,545)	Capital Grants & Contributions (Note 25)	(29,675)
(169,768)	Total Income	(180,012)

* The restatement relates to a prior period adjustment, please see Note 45

13 Related Parties

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

The 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 subjective analysis in Note 15 on reporting for resources allocation decisions.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2014/15 is shown in Note 4. Members have been consulted over potential related parties and four Councillors are directors of companies that have transacted with the Council in the last financial year. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts. These companies include a day nursery, a construction company, a property company and Peterborough Environmental City Trust. The transactions with the day nursery, construction company and property company are included in the following table but the transaction with Peterborough Environmental City Trust is not of a material nature for either the

Council or the company and is therefore not disclosed separately.

Organisation	Member	Cost to the Council £000	Balance Outstanding £000
St Joseph's Day Nursery	Cllr M Cereste	298	-
Nadeem Construction Ltd	Cllr M Nadeem	139	-
Broadway Properties	Cllr J Peach	13	-

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2014/15 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 57 Councillors 3 declarations of related party interests were not received by 15 June 2015.

As part of its normal business operations the Council has relationships with other local authorities, these include the provision of legal services and regulatory services to Rutland County Council, a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council, planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council and neighbourhood planning services to North Kesteven District Council and West Lindsey District Council. In January 2012 the Council entered into a framework agreement for Solar PV installations which in 2014/15 was accessed by Colchester Borough Council. The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities and other services with Cambridgeshire County Council including a joint area based broadband project. These

initiatives are designed to produce cost savings for the Council, but are not individually of a material nature.

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

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

Members and officers are appointed as representatives to various local and national bodies where related party transactions could arise. The complete List of Outside Bodies is available for public inspection at the Town Hall during office hours and is also in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>). The following tables detail the expenditure, included in the cost of services in the Comprehensive Income and Expenditure Statement, made by the Council to those organisations.

Related Parties - 2014/15

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr M Cereste Cllr M Lee Cllr G Elsey Cllr M Jamil	82	2
Eastern Shires Purchasing Organisation	Cllr J Holdich Cllr D Seaton	222	33
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	361	43
Greater Cambridgeshire & Greater Peterborough Local Enterprise Partnership	Cllr M Cereste	33	-
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Holdich	1,112	25
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	246	-
Vivacity	Cllr L Serluca Cllr G Casey	3,352	16
North Level Drainage Board	Cllr J Fox Cllr P Hiller Cllr J Holdich	284	-
Peterborough Association for the Blind	No current representative	4	-
Welland and Deeping Internal Drainage Board	Cllr J Holdich	153	-
Italian Community Assn.	Cllr B Rush Cllr C Swift M D'Andrea	18	-

Related Parties - 2013/14 Comparators

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr M Cereste Cllr M Lee Cllr G Elsey Cllr M Jamil	44	-
LGA – Rural Commission	Cllr D Over Cllr I Walsh		
LGA – Urban Commission	Cllr G Elsey Cllr J Peach		
Eastern Shires Purchasing Organisation	Cllr J Holdich Cllr D Seaton	275	2
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	1,994	2
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Goodwin	829	10
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	815	6
Vivacity	Cllr G Casey Cllr G Elsey	4,056	-
Cresset - Council of Mgt.	Cllr W Fitzgerald	32	-
North Level Drainage Board	Cllr N Arculus Cllr D Harrington Cllr P Hiller Mr P Hurn Cllr J Holdich	280	-
Peterborough Association for the Blind	Cllr P Kreling	7	1
Welland and Deeping Internal Drainage Board	Cllr J Holdich	150	-
Italian Community Assn.	Cllr B Rush M D'Andrea	29	2

14 Interest in Companies and Partnerships

Opportunity Peterborough Limited

The registered name of the company is Opportunity Peterborough Limited and is a wholly owned subsidiary of Peterborough City Council.

The company exists to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council makes a funding contribution to the company and the cost of this £330,000 in 2014/15 (£380,000 2013/14) along with funding for seconded staff £12,440 in 2014/15 (£20,965 2013/14) are included within the Council’s Net Cost of Services. During the year the Council provided office space with a rental value of £36,266 on a rent free basis.

The net assets of the Company at 31 March 2015 are £219,935 (31 March 2014, £158,420), and the Company made a net surplus of £61,515 in 2014/15 (2013/14, deficit of £37,665). The accounts can be obtained from Opportunity Peterborough, Eco Innovation Centre, City Road, Peterborough, Cambridgeshire PE1 1SA

Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2015 there have been no transactions through the company.

Peterborough Investment Partnership

The registered name of the limited liability partnership is Peterborough Investment Partnership LLP and the members of the limited liability partnership are Peterborough City Council and Lucent Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and Lucent Peterborough Partnership SARL and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors. As at 31 March 2015 there have been no transactions through the partnership.

15 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice. However, the Council monitors its spending against budget regularly throughout the financial year and reports forecasts to the Cabinet. These reports are based on the Council's organisational structure following the first phase of the Senior Management Restructure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the CIES)
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income & Expenditure for 2014/15	ASC H&W* £000	Chief Executives £000	Children's Services £000	Communities £000	Governance £000	Growth & Regeneration £000	Resources £000	2014/15 Total £000
Fees, charges & other service income	(16,143)	-	(2,385)	(7,630)	(7,109)	(3,160)	(32,691)	(69,118)
Government Grants	-	-	(437)	(12,807)	(275)	(1,655)	(235,480)	(250,654)
Total Income	(16,143)	-	(2,822)	(20,437)	(7,384)	(4,815)	(268,171)	(319,772)
Employee expenses	9,875	275	14,346	13,307	7,502	4,616	90,837	140,758
Other service expenses	48,151	196	4,497	49,492	5,888	13,823	215,126	337,173
Total Expenditure	58,026	471	18,843	62,799	13,390	18,439	305,963	477,931
Net Expenditure	41,883	471	16,021	42,362	6,006	13,624	37,792	158,159
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement								
Net Expenditure in the Portfolio Analysis								158,159
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								41,074
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(36,250)
Cost of Services in Comprehensive Income and Expenditure Statement								162,983

*ASC H&W is an abbreviation for Adult Social Care, Health & Wellbeing

Portfolio Income & Expenditure for 2013/14 Restated – see note 46	ASC H&W* £000	Chief Executives £000	Children's Services £000	Communities £000	Governance £000	Growth & Regeneration £000	Resources £000	2013/14 Total £000
Fees, charges & other service income	(16,381)	(33)	(2,153)	(8,090)	(6,966)	(3,968)	(42,975)	(80,566)
Government Grants	-	-	(322)	(10,737)	(248)	(1,791)	(226,992)	(240,090)
Total Income	(16,381)	(33)	(2,475)	(18,827)	(7,214)	(5,759)	(269,967)	(320,656)
Employee expenses	8,949	265	13,064	15,591	7,137	5,135	98,625	148,766
Other service expenses	50,071	143	4,281	51,364	5,418	15,585	204,753	331,615
Total Expenditure	59,020	408	17,345	66,955	12,555	20,720	303,378	480,381
Net Expenditure	42,639	375	14,870	48,128	5,341	14,961	33,411	159,725
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement								
Net Expenditure in the Portfolio Analysis								159,725
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis								46,104
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement								(27,282)
Cost of Services in Comprehensive Income and Expenditure Statement								178,547

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the '(Surplus) / Deficit on the Provision of Services' line included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2014/15	Portfolio Analysis	Amounts not Reported to Mgmt ¹	Amounts not included in CIES ²	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(68,920)	6,637	6,360	9,320	(46,603)	(9,262)	(55,865)
Interest & Investment Income	(198)	-	198	-	-	(239)	(239)
Income from Council Tax	-	-	-	-	-	(58,947)	(58,947)
NDR Income	-	-	-	-	-	(45,098)	(45,098)
Government Grants & Contributions	(250,654)	(5,912)	7,112	-	(249,454)	(82,759)	(332,213)
Total Income	(319,772)	725	13,670	9,320	(296,057)	(196,305)	(492,362)
Employee Expenses	140,758	(6,316)	(471)	-	133,971	9,836	143,807
Other Service Expenses	324,029	(5,807)	(36,305)	-	281,917	14,401	296,318
Support Services Recharges	-	-	-	(9,320)	(9,320)	-	(9,320)
Depreciation, Amortisation & Impairment	-	52,472	-	-	52,472	2,448	54,920
Interest Payments	13,144	-	(13,144)	-	-	13,233	13,233
Precepts & Levies	-	-	-	-	-	1,038	1,038
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2
Movement on Revaluation of Assets Held for Sale	-	-	-	-	-	-	-
Loss on Disposal of Non-Current Assets	-	-	-	-	-	28,006	28,006
Total Expenditure	477,931	40,349	(49,920)	(9,320)	459,040	68,964	528,004
Deficit / (Surplus) on the Provision of Services	158,159	41,074	(36,250)	-	162,983	(127,341)	35,642

¹ Amounts not reported to Management are accounting entries over which the Management have no control ie IAS19 pension adjustment the accumulated compensated absences adjustment, capital charges and capital grants.

² Amounts not included in the Comprehensive Income and Expenditure Statement (CIES) are the Trading Units which are shown in Other Operating Income & Expenditure rather than in the Cost of Services in the Comprehensive Income and Expenditure Statement.

<i>Restated Reconciliation to Subjective Analysis 2013/14 – Comparative Figures Table</i>	<i>Portfolio Analysis</i>	<i>Amounts not Reported to Mgmt</i>	<i>Amounts not included in CIES</i>	<i>Allocation of Recharges</i>	<i>Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Fees, Charges & Other Service Income</i>	(80,356)	6,285	4,662	8,132	(61,277)	(7,386)	(68,663)
<i>Interest & Investment Income</i>	(210)	-	210	-	-	(210)	(210)
<i>Income from Council Tax</i>	-	-	-	-	-	(57,126)	(57,126)
<i>NDR Income</i>	-	-	-	-	-	(40,966)	(40,966)
<i>Government Grants & Contributions</i>	(240,090)	(10,008)	5,541	-	(244,557)	(78,252)	(322,809)
<i>Total Income</i>	(320,656)	(3,723)	10,413	8,132	(305,834)	(183,940)	(489,774)
<i>Employee Expenses</i>	148,766	533	(410)	-	148,889	10,156	159,045
<i>Other Service Expenses</i>	324,228	(12,557)	(29,898)	-	281,773	9,811	291,584
<i>Support Services Recharges</i>	-	-	-	(8,132)	(8,132)	-	(8,132)
<i>Depreciation, Amortisation & Impairment</i>	-	61,851	-	-	61,851	2,297	64,148
<i>Interest Payments</i>	7,387	-	(7,387)	-	-	11,204	11,204
<i>Precepts & Levies</i>	-	-	-	-	-	972	972
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	4	4
<i>Movement on Revaluation of Assets Held for Sale</i>	-	-	-	-	-	-	-
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	15,820	15,820
<i>Total Expenditure</i>	480,381	49,827	(37,695)	(8,132)	484,381	50,264	534,645
<i>Deficit / (Surplus) on the Provision of Services</i>	159,725	46,104	(27,282)	-	178,547	(133,676)	44,871

* The restatement has occurred due to a prior period adjustment, please see Note 45

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

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

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

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

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

- **Summary of Usable and Unusable Reserves**

The table below shows the movement on each reserve to give total balances as at 31 March for usable and unusable reserves.

1 April 2013	Restated Movement*	Restated 31 March 2014*	Summary of Usable and Unusable Reserves	Restated 1 April 2014*	Movement	31 March 2015
£000	£000	£000		£000	£000	£000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(6,758)	(361)	(7,119)	School Balances	(7,119)	830	(6,289)
(15,304)	(6,148)	(21,452)	Specific Earmarked Reserves (Note 17)	(21,452)	(1,626)	(23,078)
-	-	-	Capital Receipts Reserve	-	-	-
(1,442)	123	(1,319)	Capital Grants Unapplied Account	(1,319)	(127)	(1,446)
(29,504)	(6,386)	(35,890)	Total Usable Reserves	(35,890)	(923)	(36,813)
			Unusable Reserves			
(103,355)	(7,111)	(110,466)	Revaluation Reserve	(110,466)	(7,892)	(118,358)
(133,431)	31,547	(101,884)	Capital Adjustment Account	(101,884)	22,194	(79,690)
(975)	952	(23)	Deferred Capital Receipts	(23)	4	(19)
489	(8)	481	Financial Instruments Adjustment Account	481	(7)	474
216,288	7,994	224,282	Pension Fund Reserve	224,282	54,740	279,022
331	1,755	2,086	Collection Fund Adjustment Account	2,086	(126)	1,960
3,944	(455)	3,489	Accumulating Compensated Absences Adjustment Account	3,489	(253)	3,236
(16,709)	34,674	17,965	Total Unusable Reserves	17,965	68,660	86,625
(46,213)	28,288	(17,925)	Total Usable and Unusable Reserves	(17,925)	67,737	49,812

* The restatement has occurred due to a prior period adjustment, please see Note 45

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15	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	(23,527)	-	-	23,527
Revaluation losses on Property Plant and Equipment	(19,194)	-	-	19,194
Movements in the fair value of Investment Properties	(1,898)	-	-	1,898
Amortisation of intangible assets	(1,384)	-	-	1,384
Capital grants and contributions	35,019	-	-	(35,019)
Revenue expenditure funded from capital under statute	(9,018)	-	-	9,018
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(28,006)	-	-	28,006
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	10,916	-	-	(10,916)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	669	-	(669)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	542	(542)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,903	(2,903)	-	-
Use of the reserve to finance new capital expenditure	-	2,905	-	(2,905)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(4)	-	4
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.	7	-	-	(7)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(15,407)	-	-	15,407
Employer's pensions contributions & direct payments to pensioners payable in the year	12,105	-	-	(12,105)
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	911	-	-	(911)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(785)	-	-	785
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments for short-term compensated absences	253	-	-	(253)
Total Adjustments	(36,438)	-	(127)	36,565

<i>Restated Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14*</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>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Adjustments involving the Capital Adjustment Account:</i>				
<i><u>Reversal of items debited or credited to the CIES:</u></i>				
<i>Depreciation & impairment of non current assets</i>	(26,126)	-	-	26,126
<i>Revaluation losses on Property Plant and Equipment</i>	(8,439)	-	-	8,439
<i>Movements in the fair value of Investment Properties</i>	(1,751)	-	-	1,751
<i>Amortisation of intangible assets</i>	(2,209)	-	-	2,209
<i>Capital grants and contributions</i>	27,139	-	-	(27,139)
<i>Revenue expenditure funded from capital under statute</i>	(25,209)	-	-	25,209
<i>Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES</i>	(15,820)	-	-	15,820
<i><u>Insertion of items not debited or credited to the CIES:</u></i>				
<i>Statutory provision for the financing of capital investment</i>	10,336	-	-	(10,336)
<i>Capital expenditure charged against the General Fund</i>	-	-	-	-
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
<i>Capital grants & contributions unapplied from the CIES</i>	-	-	-	-
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>	-	-	123	(123)
<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>	2,729	(2,729)	-	-
<i>Use of the reserve to finance new capital expenditure</i>	-	3,677	-	(3,677)
<i>Contribution from the reserve to finance the payments to the Government capital receipts pool.</i>	(4)	4	-	-
<i>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</i>	-	(952)	-	952
<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>	8	-	-	(8)
<i>Adjustments involving the Pensions Reserve:</i>				
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(21,909)	-	-	21,909
<i>Employer's pensions contributions & direct payments to pensioners payable in the year</i>	11,175	-	-	(11,175)
<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>	409	-	-	(409)
<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>	(2,164)	-	-	2,164
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
<i>Adjustments for short-term compensated absences</i>	455	-	-	(455)
Total Adjustments	(51,380)	-	123	51,257

* The restatement has occurred due to a prior period adjustment, please see Note 45

- **Revaluation Reserve**

The Revaluation Reserve 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.

<i>Restated</i> 2013/14* £000	Revaluation Reserve:	2014/15 £000
(103,355)	Balance at start of year	(110,466)
(22,925)	Upward revaluation of assets	(25,089)
9,082	Downward revaluation of assets & impairment losses not charge to the Surplus / Deficit on the Provision of services	5,746
2,020	Difference between fair value depreciation & historical cost depreciation	1,924
4,712	Release of revaluation gains on disposal	9,527
<u>(110,466)</u>	Balance at end of the year	<u>(118,358)</u>

*The restatement has occurred due to a prior period adjustment, see Note 45

- **Capital Adjustment Account**

The Capital Adjustment Account (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.

<i>Restated</i> 2013/14* £000	Capital Adjustment Account:	2014/15 £000
(133,431)	Balance at start of year	(101,884)
26,126	Charges for depreciation & Impairment	23,527
8,439	Revaluation gains / losses on Property, Plant & Equipment	19,194
1,751	Movement in market value of Investment Properties	1,898
2,209	Amortisation of Intangible Assets	1,384
(27,139)	Capital Grants & Contributions that have been applied to Capital Financing	(35,019)
25,209	Revenue Expenditure Funded from Capital under Statute	9,018
15,820	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	28,006
(10,336)	Provision for the Repayment of Debt (MRP)	(10,916)
(123)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(542)
(2,020)	Depreciation & Impairment written down to Revaluation Reserve	(1,924)
(4,712)	Transfer of Revaluation Reserve on disposal	(9,527)
(3,677)	Transfer from Useable Capital Receipts	(2,905)
<u>(101,884)</u>	Balance at end of the year	<u>(79,690)</u>

*The restatement has occurred due to a prior period adjustment, see Note 45

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. 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.

- **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000	Deferred Capital Receipts Reserve:	2014/15 £000
(975)	Balance at start of year	(23)
952	Transfer to the Capital Receipts Reserve upon receipt of cash	4
<u>(23)</u>	Balance at end of the year	<u>(19)</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.

2013/14 £000	Financial Instruments Adjustment Account:	2014/15 £000
489	Balance at start of year	481
(8)	Interest Paid on Short Term Loans	(7)
<u>481</u>	Balance at end of the year	<u>474</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.

2013/14 £000	Pensions Reserve:	2014/15 £000
216,288	Balance at start of year	224,282
(2,740)	Actuarial gains / losses on pension assets & liabilities (Note 7)	51,438
21,909	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)	15,407
(11,175)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(12,105)
<u>224,282</u>	Balance at end of the Year	<u>279,022</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 67.

2013/14 £000	Collection Fund Adjustment Account:	2014/15 £000
331	Balance at start of year	2,086
(409)	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	(911)
2,164	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	785
<u>2,086</u>	Balance at end of the Year	<u>1,960</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.

2013/14 £000	Accumulating Compensated Absences Adjustment Account:	2014/15 £000
3,944	Balance at start of year	3,489
(455)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(253)
<u>3,489</u>	Balance at end of the Year (Note 33)	<u>3,236</u>

17 Movement in Reserves Statement – Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

General Fund Earmarked Reserves	31 March 2014	Transfers Out	Transfers In	Movement between Reserves	31 March 2015	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Departmental Reserves	4,100	(1,954)	4,893	(322)	6,717	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,687	-	414	(1,500)	3,601	To provide for future claims (self insurance). A number of risks, contingencies and financial losses are held 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 £25,000 per loss, are also met by the Reserve.
Schools Capital	1,027	(325)	527	(79)	1,150	School revenue reserves put aside for funding future school capital schemes.
Future Cities	2,685	(611)	-	-	2,074	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Available for Capacity Building	8,560	(7,495)	5,786	1,923	8,774	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	-	-	254	-	254	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.
Other	393	-	137	(22)	508	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts, Salix Carbon Reduction and Parish Burial Reserves.
Total Reserves	21,452	(10,385)	12,011	-	23,078	

18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2014/15	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014 Gross Book Value	363,953	29,791	197,596	4,160	570	23,134	46,036	665,240
Additions	5,739	3,596	19,368	53	-	32	67,658	96,446
Revaluation increase / (decrease) recognised in the Revaluation Reserve	12,766	-	-	92	83	-	-	12,941
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(19,705)	-	-	-	-	-	-	(19,705)
Derecognition - Disposals	(27,737)	(90)	-	-	-	(878)	(36)	(28,741)
Reclassified Assets	(176)	(237)	-	-	-	(758)	-	(1,171)
Assets Under Construction Completed In Year	26,638	1,706	-	-	-	-	(31,251)	(2,907)
At 31 March 2015	361,478	34,766	216,964	4,305	653	21,530	82,407	722,103
Accumulated Depreciation and Impairment								
At 1 April 2014	(29,871)	(17,245)	(73,216)	(3,264)	-	(2,255)	(352)	(126,203)
Depreciation Charge	(7,185)	(4,475)	(10,110)	-	-	-	-	(21,770)
Depreciation written out to the Revaluation Reserve	3,918	20	-	-	-	-	-	3,938
Depreciation written out to the (Surplus) / Deficit on Provision of Services	484	27	-	-	-	-	-	511
Impairment (losses) /reversals recognised in the Revaluation Reserve	2,503	-	-	-	-	(39)	-	2,464
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(1,442)	(204)	-	(58)	-	(47)	(6)	(1,757)
Derecognition – Movement on Transfers	-	149	-	-	-	741	(2,808)	(1,918)
Derecognition - Disposals	873	59	-	-	-	44	34	1,010
At 31 March 2015	(30,720)	(21,669)	(83,326)	(3,322)	-	(1,556)	(3,132)	(143,725)
Net Book Value - At 31 March 2015	330,758	13,097	133,638	983	653	19,974	79,275	578,378
<i>Net Book Value - At 31 March 2014</i>	<i>334,082</i>	<i>12,546</i>	<i>124,380</i>	<i>896</i>	<i>570</i>	<i>20,879</i>	<i>45,684</i>	<i>539,037</i>

Comparative Movements in 2013/14

<i>Property Plant & Equipment (PPE) – Restated 2013/14**</i>	<i>Other Land & Buildings</i>	<i>Vehicles, Plant & Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2013 Gross Book Value</i>	350,151	51,923	184,378	4,083	570	25,567	21,830	638,502
<i>Additions</i>	12,368	2,473	11,912	57	-	33	35,592	62,435
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	13,103	-	-	20	-	-	-	13,123
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(9,188)	-	-	-	-	(1)	-	(9,189)
<i>Derecognition - Disposals</i>	(12,365)	(24,568)	-	-	-	(2,642)	-	(39,575)
<i>Reclassified Assets</i>	3	(37)	-	-	-	-	-	(34)
<i>Assets Under Construction Completed In Year</i>	9,883	-	1,306	-	-	175	(11,386)	(22)
<i>At 31 March 2014</i>	363,955	29,791	197,596	4,160	570	23,132	46,036	665,240
<i>Accumulated Depreciation and Impairment</i>								
<i>At 1 April 2013</i>	(20,999)	(34,556)	(64,412)	(3,207)	-	(2,049)	(318)	(125,541)
<i>Depreciation Charge</i>	(7,203)	(6,621)	(8,804)	-	-	-	-	(22,628)
<i>Depreciation written out to the Revaluation Reserve</i>	1,510	-	-	-	-	-	-	1,510
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	759	-	-	-	-	-	-	759
<i>Impairment (losses)/reversals recognised in the Revaluation Reserve</i>	(790)	-	-	-	-	-	-	(790)
<i>Impairment (losses)/ reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(3,628)	-	-	(57)	-	(206)	(34)	(3,925)
<i>Depreciation Movement on Transfers</i>	(3)	9	-	-	-	-	-	6
<i>Derecognition - Disposals</i>	483	23,923	-	-	-	-	-	24,406
<i>At 31 March 2014</i>	(29,871)	(17,245)	(73,216)	(3,264)	-	(2,255)	(352)	(126,203)
<i>Net Book Value - At 31 March 2014</i>	334,084	12,546	124,380	896	570	20,877	45,684	539,037
<i>Net Book Value - At 31 March 2013</i>	329,152	17,367	119,966	876	570	23,518	21,512	512,961

*The restatement has occurred due to a prior period adjustment, see Note 45

19 Investment Properties

The rental income and operating expenses from the Council's investment properties are disclosed within the Trading Operations Note 11.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

The following table summarises the movement in the fair value of investment properties over the year:

<i>2013/14</i> £000	Investment Properties	2014/15 £000
35,208	Balance at start of year	35,047
	Additions:	
372	Subsequent Expenditure (Note 25)	157
780	Acquisition (Note 25)	-
-	Disposals	(275)
(1,751)	Revaluations (Note 10)	(1,898)
423	Impairments	-
15	To/from Property, Plant and Equipment	-
<u>35,047</u>	Balance at end of the Year	<u>33,031</u>

20 Intangible Assets

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.

All software is given a finite useful life. A three year useful life is assigned to all intangible assets with the exception of the vehicle licence plate which the Council has deemed to have an infinite life and is therefore not amortised.

The carrying amount of intangible assets is amortised on a straight-line basis.

There are two items of capitalised intangibles that are individually material to the financial statements in the last financial year. These are listed below:

<i>31 March</i> 2014	Intangible Assets	Remaining Amortisation Period Years	31 March 2015 £000
£000			
-	E-Service Software	3	2,003
-	Energy Performance Contract	7	2,335
<u>-</u>	Total		<u>4,338</u>

The movement on Intangible Assets balances during the year is as follows:

<i>Internally Generated Asset</i>	<i>Software & Other Assets</i>	<i>2013/14 Total</i>	Intangible Assets	<i>Internally Generated Asset</i>	<i>Software & Other Assets</i>	<i>2014/15 Total</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>		<i>£000</i>	<i>£000</i>	<i>£000</i>
142	8,777	8,919	Balance at 1 April:	142	9,125	9,267
(118)	(5,593)	(5,711)	Gross Carrying Amounts	(142)	(7,183)	(7,325)
			Accumulated Amortisation			
24	3,184	3,208	Net Carrying Amount at Start of the Year	-	1,942	1,942
			Additions			
-	1,126	1,126	Purchases (Note 25)	-	3,234	3,234
-	-	-	Assets Under Construction Completed in Year	-	2,907	2,907
-	-	-	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	-	-	-
(24)	(2,185)	(2,209)	Amortisation for the period	-	(1,384)	(1,384)
			Disposals			
-	(817)	(817)	De-recognition - Disposals	-	(2,943)	(2,943)
-	606	606	De-recognition - Disposals (Accumulated Amortisation)	-	2,943	2,943
-	37	37	Other Changes – Gross Carrying Amount	-	237	237
-	(9)	(9)	Other Changes - Amortisation	-	(178)	(178)
-	1,942	1,942	Net Carrying Amount at the End of Year	-	6,758	6,758
142	9,125	9,267	Gross Carrying Amounts	142	12,560	12,702
(142)	(7,183)	(7,325)	Accumulated Amortisation	(142)	(5,802)	(5,944)
-	1,942	1,942	Net Carrying Amount at the End of Year	-	6,758	6,758

21 Assets Held for Sale

The following note details assets which are surplus to the Council's service needs and classified as 'Assets Held for Sale'. Qualifying assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sales transaction rather than continued use and meet the strict 'Assets Held for Sale' criteria outlined in the Code of Practice on Local Authority Accounting.

2013/14 £000	Assets Held for Sale - Current Assets	2014/15 £000
435	Balance at 1 April:	-
7	Property, Plant and Equipment Newly Classified as Assets Held Sale - Current Asset	221
(9)	Revaluation Losses	-
4	Impairment Losses	-
-	Property, Plant and Equipment Declassified as Held for Sale	-
(440)	Assets Sold	-
	Other movements:	
3	Additions (Note 25)	-
-	Capital Costs Incurred In Preparation For Disposal	-
-	Balance Outstanding	221

22 Capital Commitments

As at 31 March 2015 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. These contracts at a budgeted cost of £110.8m are part of the approved capital programme within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract £000	Value outstanding at 31/3/15 £000
Waste Management Strategy	75,578	21,067
City Fibre Project	4,980	338
ICT Project – Server Move	1,259	1,200
Regulatory Service Systems Development	301	180
Demolition of Welland House	109	101
Broadband Infrastructure	2,064	1,677
Affordable Housing - Maskew Avenue	300	150
Improved Facilities in Hampton	221	221
Horseshoe Park	200	200
Junction 17-2 Widening:		
Design and Supervision	584	105
Construction	16,360	4,968
Public Realm Improvement Works:		
Bourges Boulevard	3,068	803
Long Causeway	1,625	267
Schools Works:		
Southfields Primary School	250	250
Thorpe Primary School	2,789	1,576
Phoenix School	4,320	1,863
Nenegate School	425	303
Discovery School	759	610
Total	115,192	35,879

23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at fair value and is revalued at least every four years. The valuations in 2014/15 were carried out by Peterborough Serco Strategic Partnership (PSSP) and Wilks Head & Eve (WHE). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Market Value – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
- Existing Use Value – as above but including an assumption that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.
- Depreciated Replacement Cost – has been used to arrive at Existing Use Value where specialised property is valued. It is

the least cost of purchasing the remaining service potential of the asset at the date of valuation.

The table below shows the movement on the Revaluation Reserve over the last five years split over the three asset types which may be revalued during the assets life.

Revaluation Reserve see Note 16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Assets Held for Sale* £000	Total £000
Valued at fair value as at:				
31 March 2015	7,906	16	(30)	7,892
31 March 2014	10,037	(6)	(2,920)	7,111
31 March 2013	(4,801)	(6)	(292)	(5,099)
31 March 2012	26,914	(26)	(1,172)	25,716
Prior 31 March 2011	61,439	43	21,256	82,738
Total Valuation	101,495	21	16,842	118,358

* Assets Held for Sale includes values relating to Surplus Assets

24 Impairment Losses

Impairment losses and impairment reversals charged to the Surplus / Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Notes 18 and 20 which reconcile the movement over the year for Property, Plant, and Equipment (PPE) and Intangible Asset balances respectively.

During 2014/15 £8.1m of impairment losses have been charged to the Support Services line in the Comprehensive Income and Expenditure Statement. Capital expenditure of £2.4m has been spent on improving the Council's assets which has not significantly increased the value of each individual building, under the current valuation methodology, and abortive costs of £3.3m relating to the Wind and Solar project are also included.

25 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance the expenditure.

2013/14 £000		2014/15 £000
316,098	Opening Capital Financing Requirement	365,748
26,843	Property, Plant and Equipment (Note 18)	28,788
35,592	Assets Under Construction (Note 18)	67,658
1,152	Investment Properties (Note 19)	157
3	Assets Held for Sale (Note 21)	-
1,126	Intangible Assets (Note 20)	3,234
25,209	Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,018
1,000	Loans to Third Parties	-
-	Abortive costs of Wind & Solar Project*	(2,808)
	Sources of Finance	
(3,677)	Capital Receipts	(2,905)
(27,262)	Capital Grants & Contributions	(35,561)
(10,336)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(10,916)
365,748	Closing Capital Financing Requirement	422,413
	Explanation of movements in year	
59,589	Increase in underlying need to borrow:	70,105
397	Assets acquired under finance leases	284
	Decrease in underlying need to borrow:	
(10,336)	MRP	(10,916)
-	Abortive costs of Wind & Solar Project*	(2,808)
49,650	Increase in Capital Financing Requirement	56,665

* Abortive costs of Wind & Solar Project in the above table relate to costs capitalised and financed in previous financial years. The £3.3m mentioned in Notes 11 & 24 is made up of this and a further £0.5m incurred in 2014/15.

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 2014/15 this expenditure is £9.0m compared with £25.2m in 2013/14. This breakdown is shown in the following table.

2013/14 £000	Revenue Expenditure Funded from Capital Under Statute	2014/15 £000
1,878	Disabled Facility and Assistance Grants	2,912
1,802	Affordable Housing	1,065
2,594	Nene Park Academy	70
5,234	Stanground Academy	527
1,132	Fulbridge Academy Extension	2,282
3,590	All Saints Primary School	-
2,692	City of Peterborough Academy	-
4,886	Thomas Deacon KS2	1,047
-	City Centre Conservation	125
-	West Town Primary Academy	421
-	St. Botolph's School	409
1,025	Other Schools Expenditure	62
376	Other Expenditure	98
25,209	Total	9,018

Academies 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'.

2013/14 £000	Reconciliation of Grant Funding Applied to Capital Financing	2014/15 £000
17,545	Grants Received in year (Note 12)	29,675
-	Grants Received in year not applied in year	(669)
111	Grants Applied from Capital Grants Unapplied Account	539
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
9,594	In Year	6,013
12	Applied from Capital Grants Unapplied Account	3
27,262	Total Grants & Contributions applied	35,561

2013/14 £000	Body of Grant Funding Applied	2014/15 £000
98	Big Lottery Fund	-
757	Department for Communities & Local Government	728
5,295	Department for Transport	11,507
16,506	Department of Education	20,135
2	Department of Health	530
27	English Partnerships	59
22	Natural England	-
-	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	1,268
22,707	Total Grants Applied	34,227
4,338	Section 106 Contributions	669
217	Third Party Contributions	665
4,555	Total Contributions applied	1,334
27,262	Total Grants & Contributions applied	35,561

26 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement required the contractor to construct the new Voyager secondary school, 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 for the next 30 years. 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.

One of the three schools has transferred to Academy status therefore in line with CIPFA/ Audit Commission guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £25.1m (£25.7m 2013/14).

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 2015 (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 2015/16	1,408	2,731	3,902	8,041
Within two to five years	4,259	9,206	19,547	33,012
Within six to ten years	5,157	9,054	29,128	43,339
Within 11 to 15 years	8,353	8,073	29,496	45,922
Within 16 to 20 years	10,853	4,618	33,375	48,846
Within 21 to 25 years*	5,500	(182)	19,277	24,595
Total	35,530	33,500	134,725	203,755

*The positive interest in years 21 to 25 is a product of the calculation within the model of the contingent rents that are charged to interest. In practice the contingent rents are higher than calculated within the model and there will be a net payable for those years.

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 2014		31 March 2015
£000		£000
(38,475)	Balance brought forward	(37,018)
1,457	Lease liability redemption in the year	1,488
<u>(37,018)</u>	Value of Total Liability carried forward	<u>(35,530)</u>
(1,488)	Short Term Liability	(1,408)
<u>(35,530)</u>	Long Term Liability	<u>(34,122)</u>
<u>(37,018)</u>	Value of Total Liability carried forward	<u>(35,530)</u>

27 Council Leasing Arrangements

Council as Lessee - Finance Leases

The Council has acquired land, buildings, vehicles and equipment under finance leases, shown in the table below.

31 March 2014		31 March 2015
£000	Council as Lessee - Finance Leases	£000
2,564	Other Land & Buildings	2,303
<u>2,744</u>	Vehicles, Plant Furniture & Equipment	<u>2,376</u>
<u>5,308</u>	Total	<u>4,679</u>

Two land leases held on 999 year leases, two school leases for 125 years, a retail property held on a 99 year lease, a pavilion and a bus shelter are at peppercorn rent, whilst the two industrial site units are carried on the Council's Balance Sheet as Investment Properties at the net book values shown above.

The vehicles and equipment acquired are carried as Property, Plant and Equipment in the Balance Sheet at the net amounts also shown in the table above.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2014		31 March 2015
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000
574	Current	583
4,430	Non-current	4,077
20,529	Finance costs payable in future years*	20,219
<u>25,533</u>	Minimum lease payments	<u>24,879</u>

* Non-Peppercorn leases range from one to 104 years

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

31 March 2014			31 March 2015	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
953	574	Not later than one year	965	583
2,896	1,594	Later than one year & not later than five years	2,841	1,556
21,684	2,836	Later than five years *	21,073	2,521
25,533	5,004	Total	24,879	4,660

* Non-Peppercorn leases range from one to 104 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2015 the minimum payments expected to be received under these sub-leases was £274k (£288k in 2013/14).

Council as Lessee - Operating Leases

The majority of the Council's operating leases are for land and buildings, however there are a small number of vehicles and equipment held under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2014		31 March 2015	
£000	Council as Lessee - Operating Leases	£000	
1,149	Not later than one year	877	
4,495	Later than one year & not later than five years	3,134	
8,875	Later than five years	8,323	
14,519	Total	12,334	

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 2014		31 March 2015	
£000	Council as Lessee - Operating Leases	£000	
1,079	Minimum lease payments	1,166	
-	Contingent rents	-	
(398)	Sublease payment receivable	(185)	
681	Total	981	

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. 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

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2014		31 March 2015	
£000	Council as Lessor - Operating Leases	£000	
3,473	Not later than one year	2,788	
8,815	Later than one year & not later than five years	11,895	
36,804	Later than five years*	44,775	
49,092	Total	59,458	

* Above operating leases range from five to 112 years

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

28 Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2013/14		2014/15
£000	Financial Assets	£000
144	Interest income	198
66	Impairment adjustment	41
210	Total for Financial Assets (Note 10)	239
	Financial Liabilities	
(3,401)	Interest payable relating to PFI	(3,321)
(7,803)	Interest payable on borrowings	(9,912)
(11,204)	Total for Financial Liabilities (Note 10)	(13,233)
(10,994)	Net expenditure for the year	(12,994)

The debtors figure (£2,993k) in the following table includes a long term debtor for the Local Authority Mortgage Scheme (LAMS). In December 2011 the Council advanced £1m with a further £1m in July 2013 to Lloyds Banking Group as part of this scheme. LAMS is aimed at supporting first time buyers and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council, interest is payable and received annually on the advance. As at 31 March 2015 the total mortgage approved against the £2m indemnity is £1,890,605 (£1,890,781 as at 31 March 2014).

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories in the following table.

Financial Instruments Balances	31 March	Long Term £000	Current £000
Investments - Loans & Receivables	2015	45	59
	2014	30	47
Debtors - Loans & Receivables	2015	2,993	21,650
	2014	2,596	23,283
Borrowings - Financial Liabilities at Amortised Cost	2015	(271,254)	(37,524)
	2014	(192,478)	(63,600)
Other Long Term Liabilities - PFI & Finance Lease Liabilities	2015	(38,349)	-
	2014	(40,112)	-
Creditors - Financial Liabilities at Amortised Cost	2015	(27)	(14,858)
	2014	(256)	(12,049)

29 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB interest rates for new loans at 31 March 2015 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
- the Fair Value of trade debtors is taken to be the invoiced or billed amount

The Loans and Receivables value includes trade debtors. The Fair Values calculated are as follows:

Fair Value of Assets and Liabilities Carried at Amortised Cost	31 March	Carrying Amount £000	Fair Value £000
Loans & Receivables	2015	21,754	21,754
	2014	23,360	23,360
Long Term Debtors	2015	2,993	2,993
	2014	2,596	2,596
Financial Liabilities	2015	(323,636)	(374,142)
	2014	(268,127)	(271,252)
Long Term Creditors	2015	(38,376)	(52,326)
	2014	(40,368)	(50,232)

The Fair Value of the financial liabilities in 2014/15 is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. See Note 30 for explanation of Market Risk.

30 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and money market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Capital and Treasury Team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Policy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poors Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2014/15 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and other Local Authorities.

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 main credit rating agencies intend to change the methodology for assessing financial institutions during 2015/16. The credit element of the future methodology will focus 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. certain building societies and local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £50m 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 and European economies 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 its treasury advisors, Capita Asset Services.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council had a total of £8.9m deposited with UK banks at 31 March 2015. The full amount is potentially exposed to credit 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 irrecoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2015.

Prior to 2008/09 and the experience in relation to the investments in banks with Icelandic parents, the Council had no experience of default. The following table shows the original invested amounts, and current carrying value following impairment adjustments required from improved recovery rates.

Icelandic Investments	Kaupthing Singer & Friedlander	Heritable
Date Invested	03/04/07	02/04/07
Interest Rate	5.90%	6.07%
Claim Amount (£000)	2,061	1,031
Total dividends received (£000)	(1,700)	(970)
Total received of allowable claimed amount	82.5%	94.0%
Expected Recovery Rate (p in the £)	85 – 86.5	98 - 100

The Council has received a further dividend relating to the investment with Kaupthing Singer & Friedlander (KSF) during 2014/15. The expected recovery rate is now 85p to 86.5p in the £ as at 7 April 2015, (85.25p 2013/14). The impairment on this investment has been revised to reflect this update. It is expected that a further 0.5p in the £ will be received in August 2015.

The Administrators for Heritable Bank (Ernst & Young) issued a 'final' dividend during 2013/14 stating that no further dividends would be paid, therefore the Council made no further allowance in the accounts for recovery beyond the 94% received. An updated 'Progress Report to Creditors' issued by Ernst & Young on 21 May 2015 stated that the recovery rate is now expected to

be 98p to 100p in the £. As a result the Council has recognised a debtor for the revised recoverable amount.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counter parties in relation to deposits and bonds.

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. Other customers of the Council's goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts.

The aged debtors balance can be analysed by age as follows:

2013/14	Age of Trade Debt	2014/15
£000		£000
13,967	Less than three months	6,384
1,871	Three to six months	857
1,042	Six months to one year	1,417
3,614	More than one year	5,122
20,494	Total	13,780

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If 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 and more broadly for the succeeding nine years.

The maturity analysis of financial liabilities is as follows:

2013/14 £000	Maturity analysis of financial liabilities	2014/15 £000
(63,600)	Less than one year	(37,524)
(19,272)	Between one and two years	(11,616)
(30,728)	Between two and five years	(31,093)
(182,846)	Between five and fifty years	(266,921)
<u>(296,446)</u>	Total	<u>(347,154)</u>

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at fixed rates – the fair value of the assets will fall
- borrowings at variable rates – the interest expense charged to the (Surplus) / Deficit on the Provision of Services will rise
- investments at variable rates – the interest income credited to the (Surplus) / Deficit on the Provision of Services will rise

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk as follows:

- the borrowing preference is to negotiate fixed rate terms at acceptable rates for budget certainty
- depending upon economic conditions the Council may maintain variable rate short or long term borrowings to offset the risk of diminishing receipts from its investment portfolio or at times when current fixed interest rate levels are deemed to be too high
- variable interest rate borrowings should not exceed 25% of total gross borrowing
- during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to exploit market conditions and further reduce the interest payable burden

The Capital and Treasury Team assesses interest rate exposure which feeds into the setting of the annual budget and is used to update the forecasts during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is at fixed or variable rate.

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease in the Fair Value of Fixed Rate Borrowing Liabilities by £50.6m (see Note 28) but this would have no impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in equity shares and hence currently has no exposure to losses arising from movements in the prices of the shares.

The Council has a £1 share in its' subsidiary company, Blue Sky Peterborough Limited. The Council is not exposed to price risk through this holding.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

31 Inventories

31 March 2014	Inventories	31 March 2015
£000		£000
211	Westcombe Industries Stock	224
77	Other Stock Balances	72
<u>288</u>	Total	<u>296</u>

32 Debtors

31 March 2014	Debtors	31 March 2015
£000	(Each item is net of impairment)	£000
6,977	Central Government Departments	4,950
2,354	Cross Keys Homes	2,090
6,339	Council Tax Arrears	7,708
8,533	NDR Arrears	9,584
3,403	Payments in Advance	4,165
28,834	General Debtors	21,579
<u>56,440</u>		<u>50,076</u>
14	Outstanding Balances on Loans Granted Loans to Employees (Car Purchase)	8
<u>56,454</u>	Total Debtors	<u>50,084</u>

33 Creditors

31 March 2014	Creditors	31 March 2015
£000		£000
(632)	Council Tax Overpaid	(707)
(2,363)	NDR Overpaid	(1,674)
(1,128)	NDR Prepaid	(1,040)
(8,053)	NDR Preceptors	(10,512)
(10,874)	Deposits / Receipts in Advance	(13,423)
(3,489)	Accrual Accumulated Absences (Note 16)	(3,236)
(45,903)	General Creditors	(47,775)
<u>(72,442)</u>	Total Creditors	<u>(78,367)</u>

34 Provisions

Provision Description	31 March 2014 £000	Additional Provision £000	Payment from Provision £000	Released back to CIES £000	31 March 2015 £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.	(901)	(249)	452	(97)	(795)
<u>Payroll</u> - Redundancy related payments, regarding decisions made in 2014/15 but which will be paid in 2015/16	(123)	(75)	78	45	(75)
<u>Charges from suppliers which are uncertain or in dispute</u> - These represent charges from suppliers that are of an uncertain amount	(555)	(179)	95	70	(569)
<u>Legal/Grant Penalty Payment</u> - Under the terms of a Grant that has been received in full, there was a possibility that the Council may have to repay a proportion under penalty clauses. However, due to the time that has lapsed the Council is no longer liable to repay any grant amounts.	(240)	-	-	240	-
<u>Land Charges Litigation</u> – Following the Information Commission Ruling, personal search agencies are now able to reclaim the amounts paid for additional information on the land charges register	(200)	-	45	-	(155)
<u>Carbon Reduction Commitment Scheme (CRC)</u> – Phase one of this scheme has now finished and so this provision is no longer required.	(262)	-	262	-	-
<u>Non Domestic Rate Appeals Provision</u> – See Collection Fund for further details	(4,180)	(2,371)	1,310	-	(5,241)
Total Short Term Provisions	(6,461)	(2,874)	2,242	258	(6,835)
Long Term Provisions					
<u>Insurance Claims</u> – see above comments	(465)	(141)	238	(51)	(419)
Total Long Term Provisions	(465)	(141)	238	(51)	(419)
Total Short and Long Term Provisions	(6,926)	(3,015)	2,480	207	(7,254)

35 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 2014 £000	Capital Grants Receipts in Advance	31 March 2015 £000
(3,729)	Department of Education	(559)
(1,067)	Department for Transport	(1,212)
(764)	Homes and Communities Agency (HCA)	(576)
(20)	Other Third Party Contributions	(103)
(427)	Department of Health	(427)
(673)	GCGPP Local Enterprise Partnership	-
(13,529)	Section 106 Contributions	(14,873)
(20,209)	Total Capital Grants Receipts in Advance	(17,750)

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(217)	Interest Received	(132)
11,996	Interest Paid	12,930

37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2013/14 £000		2014/15 £000
63,303	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	99,068
-	Purchase of Short-Term & Long-term Investments	-
27,083	Other Payments for Investing Activities	10,360
(2,586)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(1,740)
(275)	Proceeds from Short-Term & Long-Term Investments	(16)
-	Other Receipts from Investing Activities	-
87,525	Net cash flows from investing activities	107,672

38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2013/14 £000		2014/15 £000
(45,093)	Cash Receipts of Short & Long Term Borrowing	(94,000)
-	Other receipts from Financing Activities	-
1,778	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,668
-	Repayments of Short- & Long-Term Borrowing	-
(4,161)	Other Payments for Financing Activities	(572)
(47,476)	Net cash flows from financing activities	(92,904)

39 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.

2013/14		2014/15
£000		£000
8,800	Short Term Cash Investments	8,900
69	Petty Cash & Imprest	67
(6,080)	Bank Current Accounts	(1,097)
2,789	Total Cash & Cash Equivalents	7,870

40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2015 was £37,465 (£82,508 at 31 March 2014). 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 £63,224 at 31 March 2015 (£158,195 at 31 March 2014) all invested internally. The Council was holding a larger balance as at 31 March 2014 due to temporarily holding funds from the sale of a property.

The Council also has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 176 adults and older people (158 at 31 March 2014). The total Client funds at 31 March 2015 was £1.2m (£1.3m at 31 March 2014).

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including

Peterborough Museum and art Gallery were transferred to Vivacity. However the Council remains sole Trustee.

These Trust Funds are not included in the Council's balance sheet. The individual funds have not been subject to a separate audit. However, they have been considered in overall terms, in the context of those materiality levels which apply to the Council's financial statements.

41 Contingent Liabilities

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. Those relating to Planning may end up in Appeals or Judicial Review and those relating to dismissals of staff for disciplinary and redundancy reasons may end up at Employment Tribunals. 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. Additionally, there are Adoption processes in progress at year end that, when completed, may result in future financial implications for the Council.
- There are potential unknown environmental issues relating to land and buildings that the Council owns, or has owned, such as contaminated land or asbestos in buildings, for which costs are difficult to estimate.
- 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 from the Homes and Communities Agency (formerly known as the Housing Corporation).
- Municipal Mutual Insurance (MMI) – In 1992/93 the Council's insurers, MMI ceased taking new business and are now being

managed under a “scheme of arrangement”. The amount paid to the Council under this arrangement was £316,000. The Council has been asked to repay a proportion of the above amount which has been accounted for in 2012/13 accounts, but further amounts which cannot be quantified at this stage may be demanded from the Council in the future. There is an element of coverage for this within the Insurance Reserve.

- As part of the delivery of services, expenditure is incurred by the Council which in turn may be funded directly from grants. Some grants are allocated to the Council for specific purposes, and as such may require an audit certification to be completed to ensure the grant had been correctly applied. Reimbursement of grants may be necessary if it is found that the Council has not met the terms and conditions of use of the grant. Amount and timings are dependent upon the results of any claim certification.
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Housing) 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.
- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges

data. Proceedings have not yet been issued. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

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

The standards which have been introduced by the 2015/16 Code are not anticipated to have a material impact on the Council's financial statements, but rather disclosure narratives will be enhanced, and will be effective from 1 April 2015 are as follows:

- IFRS 13 Fair Value Measurement – this is a new standard that requires the Council to measure its assets and liabilities, and provide disclosures where the Code requires or permits fair value measurement. The measurement requirements for operational property, plant and equipment will not be subject to change and will be subject to the overarching concept of current value. However, disclosures about valuation are to be enhanced. Investment assets and all other surplus assets, which are currently measured at existing use valuation, will be required to be measured at fair value, again with new disclosure requirements. Any amendments due to the adoption of this IFRS will be prospective and therefore it is not anticipated that a third balance sheet will need to be presented.
- IFRIC 21 Levies – is where a Government may impose a levy on an entity. It is anticipated that this change will have no material impact on the Council's financial statements.

- Annual Improvements to IFRSs – is a process to deal efficiently with a collection of narrow scope amendments to IFRSs and focus on areas of inconsistency in IFRSs or where clarification of wording is required. The amendments are clarifying or correcting in nature, and do not propose new principles or changes to existing ones. The issues included in this cycle will not have a material impact on the Council's financial statements:
 - IFRS 1: Meaning of effective IFRSs,
 - IFRS 3: Scope exceptions for joint ventures,
 - IFRS13: Scope of paragraph 52 (portfolio exception),
 - IAS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

43 Critical Judgement in Applying Accounting Policies

In applying the accounting policies, set out from page 70, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Despite the Council putting in extensive plans to deal with the initial grant reductions in the preceding years and being able to balance the 2014/15 budget, there is an unprecedented grant reduction in 2015/16 which all councils will need to deliver against. At this stage, there is the necessity for the Council to put in place transformational change to future service delivery. The Council is also mindful of the additional second budget due on the 8 July 2015, which is likely to have a further impact on the Council's funding as the new government implements commitments outlined in its election campaign. The impact of grant reductions and pressures arising from increased population and the economic growth

forecasts present the Council with challenging circumstances. The Council has determined that given the uncertainty there is not sufficient indication of any additional impact on the accounts or accounting policies at this time.

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further five transferring status during 2014/15, and some are expected to convert in future years. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See table below for analysis of the type of schools in Peterborough and its surrounding area.

Type of School	Community	Controlled	Aided	Foundation Trust	Academies	Total
Nursery	1	-	-	-	-	1
No. of Primary Schools	34	5	7	1	10	57
No. of Secondary Schools	1	-	1	1	8	11
No. of All through Schools	-	-	-	-	1	1
No. of Special Schools	4	-	-	-	1	5
Total	40	5	8	2	20	75

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 which are classed as either voluntary aided or voluntary controlled schools where it was not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2015. 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 participates in the Local Authority Mortgage Scheme (LAMS). In 2011/12 £1m was deposited with Lloyds and a further £1m was deposited during 2013/14. These deposits are treated as capital expenditure as a loan to a third party. This treatment has been determined by reference to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The Council has also obtained legal advice from its own legal advisors and received Legal

Counsel's advice via Capita, its Treasury Advisor, as to the validity of the accounting treatment. The Council recognises there are alternative accounting treatments and will keep its accounting treatment of LAMS under review to ensure that if statute or the CIPFA Code of Practice changes, its accounting treatment of the scheme will comply with those changes.

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at fair value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 46.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 19, page 43.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments. Further information on lease arrangements in place can be found in Notes 26 and 27, pages 48 - 49.

- The Council has four arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement for the following reasons and when consolidated in total, the four entities are not material.
 - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 0.
 - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
 - Blue Sky Peterborough (BSP) – in 2011/12 the Council established an Energy Services Company, BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.

- Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.

44 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 2015 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £494k for every year that useful life is reduced, which equates to a 2.22% increase in this year's depreciation charge.
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying value of the asset is reduced. It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £635k, which is 0.1% of the Council's total asset base. 10% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analyses 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.	The effects on net pensions liability of changes in individual assumptions can be measured. For instance, <ul style="list-style-type: none"> • a 0.5% decrease in discount rate assumption would result in a increase in pension liability of 9% or £56m • a 1 year increase in member life expectancy would result in a increase in pension liability of 3% or £19m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £2m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 6% or £36m
Arrears	At 31 March 2015 the Council had a balance of £12.2m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 23% or £2.8m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, an additional contribution of £279k would be set aside as allowance. If 10% of the debt portfolio was one year older, a contribution of £159k would be set aside as additional allowance.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date.	There are different classes of business, each of which have had historically different success rates of appeal. If reduction in rateable value for each appeal class was 1% more than currently estimated the appeals provision would need to be increased by £597k. This equates to a 14% increase in the estimated provision held in the Council's Balance Sheet.

45 Prior Period Adjustment

Restated School Asset Balances

The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions, and consolidation issues relating to schools. This has resulted in the Council amending its accounting policies in relation to Foundation Schools such that property, plant and equipment of Jack Hunt Secondary School and Orton Wistow Primary School are now included in the Council's balance sheet. The accounting treatment has not changed for Voluntary Aided and Voluntary Controlled schools with their financial information consolidated into the Council's accounts on the same basis as previous years.

A further element of the clarification regarding accounting treatment for the recognition of schools' transactions has been for private funds held by schools. An analysis of the element of 'control' over these funds has been performed and concluded that the school does have significant control over how and when some of these funds are spent and thus fall into the remit of

subsidiary accounting and thus should be consolidated into the Council's accounts.

Presentational adjustments have been made for Impairment of Current Debtors and Disposal of Subsidiary Assets. Clarification of where such costs should be shown in the Comprehensive Income and Expenditure Statement has been provided, and these adjustment enable better comparison of costs between years. Similarly other minor presentational adjustments relating to the Non-Domestic Rates levy, Trading Units, and Section 31 grant have also be made to previous year figures in order to aid comparability between years and thus make it more meaningful to the reader of the accounts.

The following table shows the difference between the amounts presented in 2013/14 financial statements and the equivalent amounts presented in the 2014/15 financial statements.

Prior Period Adjustments	2013/14 Statements	Schools Adjustment	School Private Funds	Impairment Current Debtors	Disposal of Subsidiary Assets	Other Adjustments	2013/14 Restated
	£000	£000	£000	£000	£000	£000	£000
Cost of Services	179,220	349	(10)	(984)	-	(28)	178,547
Other Operating Income & Expenditure	14,066	-	-	-	(11,799)	-	2,267
Financing & Investment Income & Expenditure	21,100	-	-	984	11,799	(58)	33,825
Taxation & Non-specific Grant Income	(169,440)	(414)	-	-	-	86	(169,768)
(Surplus)/Deficit on Provision of Services	44,946	(65)	(10)	-	-	-	44,871
Surplus on Revaluation of Non-Current Assets	(11,454)	(2,389)	-	-	-	-	(13,843)
Actuarial gains/losses on Pension Assets/Liabilities	(2,740)	-	-	-	-	-	(2,740)
Other Comprehensive Income & Expenditure	(14,194)	(2,389)	-	-	-	-	(16,583)
Total Comprehensive Income & Expenditure	30,752	(2,454)	(10)	-	-	-	28,288
Balance Sheet							
Long Term Assets	559,100	19,552	-	-	-	-	578,652
Current Assets	59,106	-	472	-	-	-	59,578
Current Liabilities	(142,503)	-	-	-	-	-	(142,503)
Long Term Liabilities	(477,802)	-	-	-	-	-	(477,802)
Net Assets	(2,099)	19,552	472	-	-	-	17,925
Usable Reserves	(35,418)	-	(472)	-	-	-	(35,890)
Unusable Reserves	37,517	(19,552)	-	-	-	-	17,965
Total Reserves	2,099	(19,552)	(472)	-	-	-	(17,925)

46 Authorisation of the Accounts

The Corporate Director: Resources authorises these accounts to be issued on 29 June 2015.

The Collection Fund and Notes

31 March 2014	Collection Fund Statement	Notes	31 March 2015 Business Rates £000	Council Tax £000	Total £000
£000					
	Income				
(70,481)	Council Tax Receivable		-	(72,575)	(72,575)
-	Council Tax Annex Grant		-	(1)	(1)
(92,149)	Business Rates Receivable	3	(95,283)	-	(95,283)
(1,163)	Transitional Payment Protection		(277)	-	(277)
	Contribution to Previous Years Deficit:				
(256)	Peterborough City Council	4	-	-	-
(13)	Cambridgeshire & Peterborough Fire Authority		-	-	-
(40)	Cambridgeshire Police Authority		-	-	-
(164,102)	Total Income		(95,560)	(72,576)	(168,136)
	Expenditure				
	Precepts:				
56,971	Peterborough City Council	4	-	58,036	58,036
3,223	Cambridgeshire & Peterborough Fire Authority		-	3,280	3,280
8,925	Cambridgeshire Police Authority		-	9,259	9,259
69,119	Total Precepts		-	70,575	70,575
	Business Rates Share:				
43,130	Peterborough City Council	4	45,234	-	45,234
880	Cambridgeshire & Peterborough Fire Authority		922	-	922
44,011	Central Government (Inc Pooled Fund)		46,157	-	46,157
88,021	Total Business Rates Shares		92,313	-	92,313
	Charges to Collection Fund:				
(52)	Written off Uncollectable Amounts		36	-	36
2,131	Increase / (Decrease) in Bad Debt Provision		1,046	893	1,939
8,530	Increase / (Decrease) in Provision for Appeals	5	2,166	-	2,166
276	Cost of Collection		277	-	277
10,885	Total Charges to Collection Fund		3,525	893	4,418
	Contribution to Previous Year's Estimated Surplus:				
-	Peterborough City Council	4	649	-	649
-	Cambridgeshire & Peterborough Fire Authority		13	-	13
-	Central Government (Inc Pooled Fund)		663	-	663
-	Total Business Rates Shares		1,325	-	1,325
3,923	(Surplus) / Deficit Arising During the Year		1,603	(1,108)	495
	Collection Fund Balance				
403	(Surplus) / Deficit Brought Forward 1 April		4,417	(91)	4,326
3,923	(Surplus) / Deficit Arising During the Year		1,603	(1,108)	495
4,326	(Surplus) / Deficit Carried Forward 31 March		6,020	(1,199)	4,821
	Allocated to:				
2,089	Peterborough City Council		2,950	(986)	1,964
40	Cambridgeshire & Peterborough Fire Authority		60	(56)	4
(12)	Cambridgeshire Police Authority		-	(157)	(157)
2,209	Central Government (Inc Pooled Fund)		3,010	-	3,010
4,326	Total		6,020	(1,199)	4,821

1 Collection Fund Overview

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection 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. The Council, as a billing authority, has a statutory requirement to operate a Collection Fund as a separate account to the General Fund.

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	33,877	22,585
B	7/9	19,284	14,999
C	8/9	12,933	11,496
D	9/9	7,318	7,318
E	11/9	4,206	5,141
F	13/9	1,818	2,626
G	15/9	897	1,495
H	18/9	69	138
Total		80,402	65,798

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 51,054 (50,158 for 2013/14).

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 Central Government

For 2014/15 the total non-domestic rateable value at the year-end is £231.7m (£230.1m in 2013/14). The national multipliers for 2014/15 were 47.1p for qualifying Small Businesses, with the standard multiplier being 48.2p for all other businesses (46.2p and 47.1p respectively in 2013/14).

4 Council Precept

Income from the Collection Fund reflected in Peterborough City Council Comprehensive Income and Expenditure Statement is shown below. Further details are also shown in Note 12 of the Notes to the Accounts.

2013/14		NDR	Council Tax	2014/15 Total
£000		£000	£000	£000
(100,101)	Precept / Share	(45,234)	(58,036)	(103,270)
256	Share of Prior Year	(649)	-	(649)
1,755	Estimated Deficit / (Surplus) at 31 March	785	(911)	(126)
(98,090)	Total	(45,098)	(58,947)	(104,045)

5 Provision for Appeals

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received.

The new scheme allowed councils to make a provision for appeals lodged by rate payers against their rateable value. As the provision was new in 2013/14, the increase in provision in for the year covered appeals against bills for rates payable from 1 April 2010. The 2014/15 increase in the provision only takes account of appeals against bills raised in 2014/15 and any changes in the assumptions used to calculate the original provision.

The Council has elected to spread the cost of the provision for backdated NDR appeals over 5 years.

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Acquisitions and Discontinued Operations

The Council is required to disclose the income and expenditure of any newly acquired functions on the face of the Comprehensive Income and Expenditure Statement.

Acquired operations are those which the Council has acquired during the accounting period. Examples of acquired operations are:

- Services and/or geographical areas for which responsibility has passed to the authority due to the reorganisation of local government, or

- Services acquired as a consequence of legislation, eg a new statutory responsibility transferred from another entity.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's 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 estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses, for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of

leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Local Government Pensions Scheme, administered by Cambridgeshire County Council.
- The Teachers Pension Scheme, 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), earned as employees worked for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and equally the Adult Social Care and Public Health for the NHS scheme.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bond as identified by the actuary).
- The assets of the Cambridgeshire County Council pension fund 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 change in the net pensions liability is analysed into the following components:
 - Service cost comprising
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the

Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Cambridgeshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes 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.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes

to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Financial Instruments

Financial Liabilities

Financial liabilities 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 and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For the three stepped rate loans, the amount charged to revenue is based on the effective interest rate and the difference between that and the cash paid is reversed out in the Movement in Reserves Statement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from

or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

Loans and Receivables 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 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

loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any

net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and / or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council 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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement 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.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. These assets are recognised and measured in accordance with the Council's

accounting policies on Property, Plant, and Equipment. However the assets are recognised in the Balance Sheet using as its base the detailed insurance valuation (which are based on market values) held by the Council. And as heritage assets held have indeterminate lives and a high residual value; the Council does not consider it appropriate to charge depreciation for the assets.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is 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) and 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 and is restricted to that incurred during the development phase (research expenditure cannot be 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. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that

the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement.

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 Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Properties

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according

to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) 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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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 held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present

value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses and therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life

of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future

financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg 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 relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on continuing services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to 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 fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, 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. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Voluntary Aided (VA) and Voluntary Controlled (VC) Schools are not shown on the Council's Balance Sheet. Some elements of the VA and VC schools land is still owned by the Council and is shown on the Balance Sheet.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Assets Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure

Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or 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 Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as 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 Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with 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 being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Property, plant and equipment assets and long term liabilities remain vested in the governing bodies of voluntary aided/controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided/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, and as such they are subject to lessor finance lease policies (see leases policy).

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The 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 Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- 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 principals as for a finance lease)

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and 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 Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and 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.

When payments are eventually made, they 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg 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.

Carbon Reduction Commitment Schemes and Other Trading Schemes

The Council is required to participate in the Carbon Reduction Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent 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 has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement 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.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Glossary

Accruals - The concept that revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are treated on an accruals basis with income and expenditure due as 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, whether arising from time or obsolescence through technological or other 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.

Authority – A shortened name for ‘Local Council’.

Balance Sheet - Fundamental to the understanding of a local Council’s financial position at the year-end. It shows the balances and reserves at the Council’s disposal and its long term indebtedness, and the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of a local Council, which are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance for all the other services provided by the Council. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall of income. A local Council may decide to use its

revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget (Medium Term Financial Strategy (MTFS)) - A statement of a Council’s plans for net revenue and capital expenditure over a specified period of time.

Capital Adjustment Account – This account was created at midnight on 31 March 2007 and 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 to reflect 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 a 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, for example, to homeowners to meet the cost of improving their houses.

Capital Receipts - Proceeds from the sale of non-current assets, e.g. land and buildings. The proceeds can be used to finance new capital expenditure or repay debt. It cannot be used to finance revenue expenditure.

Collection Fund - A statutory fund in which a Council records transactions for Council Tax, Non-Domestic Rates and residual Community Charges.

Community Assets - Assets that the local Council intends to hold in perpetuity, that have no determinable useful life, and that may

have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income and Expenditure Statement - Reports the income and expenditure for all the Council's services and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Council – Means 'Peterborough City Council' specifically. The Council is a local Council and this term is used in these definitions, and in the Statement of Accounts', to define any or all Councils.

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, e.g. creditor, cash overdrawn.

Debt Redemption - The repayment of loans raised to finance capital expenditure.

Debtor - An amount owed to a local Council within the accounting period, but not received at the Balance Sheet date.

Dedicated Schools Grant (DSG) – Grant received from Department for Education to fund schools related expenditure.

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.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term asset,

whether arising from use, time or obsolescence through technological or other changes.

Derecognition – The term used for 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 a local Council's other capital resources.

Effective Rate of Interest – The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity Instrument – A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company).

Fair Value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Financing Charges - Annual charges to the Comprehensive Income and Expenditure Statement of a local Council to cover the interest on, and repayment 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. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset

Financial Asset – A right to future economic benefits controlled by the Council. Examples include bank deposits, investments and loans receivable.

Financial Instrument – Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instrument Adjustment Account – This is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.

Financial Liability – An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Long Term Asset - An asset which has value beyond one financial year

General Fund - The main revenue account of a local Council which summarises the cost of all services provided by the Council which are paid for from Council Tax, government grant and other income.

Government Grants and Subsidies - Grants towards either the revenue or capital cost of local Council services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally e.g. 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.

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 – The term used 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 - Assets that are inalienable, ie may not be sold, transferred or assigned to another. These include facilities required to enable other developments to take place e.g. roads and street lighting.

Investment Properties – Those properties that are used solely to earn rentals and/or for capital appreciation.

Loans Outstanding - The total amounts borrowed from external lenders for capital and temporary revenue purposes and not repaid at the Balance Sheet date.

Local Council – A corporate body, established by statute, to undertake specific local functions. It is governed by Members (also known as Councillors) who are either elected or appointed. Peterborough City Council is a 'local Council'. In these definitions, the term 'local Council' is used to describe one or all Councils generally. Sometimes, this is shortened to just 'Council'.

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 which must be charged to a local Council's Comprehensive

Income and Expenditure Statement and set aside to repay debt. It is calculated by charging 4% on all borrowing up to the 1 April 2007 and for any new supported borrowing. For the remaining unsupported borrowing, MRP is charged in line with the life of the asset for which the borrowing was undertaken.

Movement in Reserves Statement – 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-Domestic Rates (NDR) - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property.

Operating Leases - Leases under which the ownership of the asset remains with the lessor.

Pooling – The term used for the calculation and payment of a proportion of housing capital receipts into a national pool for redistribution.

Precept - The amount a local Council, who cannot levy a council tax directly on the public (eg Fire and Police authorities, Parish council), requires it to be collected on its behalf.

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.

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 a local Council incurs in providing services (as opposed to capital expenditure).

Revenue Support Grant (RSG) - A general grant paid by the government and recognised in the General Fund to help finance local Council revenue expenditure.

Supported Borrowing – The amount of borrowing assumed by Government in the calculation of their grant payment.

Usable Reserves – Those reserves that can be applied to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements.

Unsupported / Prudential borrowing – The amount of borrowing for which there is no grant to support its revenue impact.

VAT Shelter – The Council transferred its housing stock to Cross Key Homes in October 2004. Housing Associations are at a disadvantage compared to Local Authorities because they are not able to recover VAT on their expenditure. The VAT shelter agreement enables the VAT on capital works to be reclaimed and the benefit split equally between the Council and Cross Keys. This income is included within the Comprehensive Income and Expenditure Statement.

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PETERBOROUGH



CITY COUNCIL

Annual Governance

Statement – 2014/15



Annual Governance Statement

The Annual Governance Statement is being discussed and approved by this Audit Committee on 29 June 2015. The Statement will be included in the final published Statement of Accounts in September 2015.

Certification

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

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an

adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor John Holdich, Leader of the Council

Date:

AUDIT COMMITTEE	AGENDA ITEM No. 6
29 JUNE 2015	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

FRAUD AND INVESTIGATIONS ANNUAL REPORT 2014 / 2015

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director Resources	Deadline date : N/a
Committee is recommended to:	
1. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues for the year 2014 / 2015.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the 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 “2.2.1.14 To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process”.

3. BACKGROUND

- 3.1 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. In addressing this expectation, the Council has shown its commitment with a dedicated Investigations team which is tasked with reviewing and investigating all allegations of fraud and impropriety, breaches in codes of conduct and high level complaints.
- 3.2 The attached report demonstrates the success of the team and provides an insight into how this service will continue to operate.

4. CONSULTATION

- 4.1 This report has been issued to the Director of Governance and Service Director Financial Services for consideration.

5. ANTICIPATED OUTCOMES

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

6. REASONS FOR RECOMMENDATIONS

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

7. ALTERNATIVE OPTIONS CONSIDERED

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

8. IMPLICATIONS

- 8.1 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.

9. BACKGROUND DOCUMENTS

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

- None

11. APPENDICES

- Appendix A: Annual Fraud report 2014 / 2015

Peterborough City Council

Fraud & Investigations Annual Report

2014 / 2015

**Growing the right way for
a bicaer. better Peterborouah**



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Introduction

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

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

From 1 December 2014, 2 officers from the Compliance Team within the Governance Department transferred to Internal Audit. This brought together specialist knowledge to investigate fraudulent activity and was a response to the separate transfer of officers to the Department for Works and Pensions (DWP) as part of its establishment of a Single Fraud Investigation Service to cover benefit fraud. The new team's remit also includes the investigations of disciplinary matters, Stage 3 complaints against the Council and Member standards.

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

- Employee code of conduct;
- Disciplinary Policy;
- Member's code of conduct;
- Standing Orders and Financial Regulations;
- Accounting procedures and records;
- Service specific requirements;
- Effective internal audit;
- Regulation of Investigatory Powers Act and procedures;
- Fraud Response Plan;
- Whistleblowing Policy;
- Anti-Bribery Policy;
- Data Protection Act 1998;
- Fraud Act 2006; and
- Procurement rules

This report sets out details of:

- The potential levels of fraud occurring in the public sector;
- Steps taken by Peterborough to reduce, identify and resolve these;
- The successes to date; and
- Actions proposed to continue these.

Protecting the Public Purse

In October 2014 the Audit Commission issued its annual “Protecting the Public Purse” report. This highlighted emerging fraud risks and fraud trends for 2013 / 2014 based on information submitted to the Commission from local authorities across the country in May 2014 for its annual Fraud Survey. Key messages include:

- Local government bodies detected fewer cases of fraud in 2013 / 2014 compared with 2012 / 2013 but their value increased by six per cent to over £188 million;
- The value of detected cases of housing benefit and council tax benefit fraud rose by seven per cent to nearly £129 million;
- The value of detected cases of non-benefit fraud rose by two per cent to £59 million;
- Councils will need to focus on the non-benefit frauds that present the highest risk of losses; and
- Councils are detecting more housing tenancy fraud.

Key recommendations include:

- Local government bodies should assess themselves against the framework in CIPFA’s new Code of Practice on Managing the Risk of Fraud and Corruption and engage fully with the new CIPFA Counter Fraud Centre;
- Councils should be alert to the risks from fraud particularly in growing risk areas;
- Councils should focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources;
- Councils should focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act.

National Fraud Initiative

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

The National Fraud Initiative (NFI) is an exercise which brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998 and the output to date has been used by the Audit Commission to help them assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice.

The Council is required by law to participate in the NFI by providing a range of datasets to the Audit Commission 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. It should be noted that the NFI will continue following the abolition of the Audit Commission.

The Council submitted data in October 2014 for the current year and matches for review were received in early 2015. Distinct datasets are prescribed by the Audit Commission, for PCC these are:

- Payroll
- Insurance claims (third party provision – Zurich Municipal)
- Housing benefits (third party provision – Department for Work and Pensions)
- Creditors
- Taxi licences
- Market licences
- Personal alcohol licences
- Travel permits
- Personal budgets

In February 2015 Electoral Registration and Council Tax data was submitted for data matching of Council Tax Single Person Discount and electoral registration data following publication of the Council's new electoral register on 1 December 2014.

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

Where personal data was included in the submission, and in order to be compliant with the Data Protection Act, notices were sent to individuals to inform them that their personal data was being submitted as part of the NFI exercise e.g. information within payslips.

The initial results of the 2014 data matching exercise were released on 30 January 2015. The results highlighted various matches for each dataset (See table below).

The 2014 results are now be investigated which may involve working with other bodies to ascertain the required information. Progress of their investigations into the matches will be reported to CMT and at future Audit Committee meetings. In addition to clearing PCC matches, we will also be responding to information requests from other bodies in order to help with their matches.

TABLE 1: Matches Received to Various Datasets

	Student Loans	Payroll	Pensions	Home Office	Housing Benefit	Housing Tenants	Market Traders Licences	Taxi Drivers Licences	DWP Deceased	Personal Alcohol Licences	Insurance Claims	Creditors
Housing Benefits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	-
Pensions	-	-	Yes	-	-	-	-	-	Yes	-	-	-
Payroll	-	Yes	-	Yes	-	-	-	-	-	Yes	-	Yes
Blue Badges	-	-	-	-	-	-	-	-	Yes	-	-	-
Concession Travel Passes	-	-	-	-	-	-	-	-	Yes	-	-	-
Residential Parking Permits	-	-	-	-	-	-	-	-	Yes	-	-	-
Private Residential Care Homes	-	-	-	-	-	-	-	-	Yes	-	-	-
Insurance Claims	-	-	-	-	-	-	-	-	-	-	Yes	-
Taxi Drivers	-	-	-	Yes	-	-	-	-	-	-	-	-
Personal Budgets	-	-	Yes	-	Yes	-	-	-	Yes	-	-	-

The expectation is that all “recommended matches” are investigated.

Investigations

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

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



The below Table 2 show the types of investigations undertaken during the last three years.

TABLE 2: Types of Investigations			
	2012 / 2013	2013 / 2014	2014 / 2015
Benefit Fraud	245	203	139
Complaints	13	10	10
Corporate	3	6	3
Disciplinary	15	7	17
External Standards	1	0	0
Standards	8	2	0
Blue Badges	7	12	8
Other	1	2	1

Benefit Fraud

As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. As many of the investigations carried out by the team involved both and therefore have not been separated. Benefit fraud will always be a risk faced by local authorities owing to the high volumes of payments and complexities of legislation. As mentioned in the introduction, Housing Benefit fraud and historical Council Tax Benefit investigations reverted to DWP from 1 December 2014.

There has been a steady decline in the number of investigations over the last three years, due to a number of factors such as better intelligence to stop claims before they are even set up, and this has mirrored a reduction in the size of the team over the same time period. In 2012 / 2013 the team had 3.0 FTE investigating benefit fraud which by the time of transfer had reduced to 1.5 FTE.

Table 3 below highlights the success of the team up to the transfer.

Table 3: Benefit Fraud Achievements			
	2012 / 2013	2013 / 2014	2014 / 2015
Referrals received	736	617	339
Investigated	245	203	100
Positive Outcomes	137	44	48
Prosecutions	14	19	6
Sanctions	26	18	3

While this highlights 239 cases as not being investigated by the team, this is either due the cases being transferred to SFIS or that the referrals were risk assessed and that was no action required.

The risk assessment takes into account various factors, such as, household composition, intelligence evaluation, previous allegations, type of allegation etc. It is important to note that any referrals that do not qualify for investigation after the risk assessment process are not ignored; these cases are either referred to our colleagues at the DWP or referred internally for a visit to be undertaken by officers within the Benefits Service.

In accordance with legislation, we are able to offer a financial penalty arising from the offence as an alternative to prosecution and in addition to the overpayment. If this is not accepted, the matter will be referred for prosecution. In some cases, it may be appropriate to offer a caution to the individual as an alternative to prosecution. Again, should this not be accepted, the matter will be referred for prosecution.

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

Table 4 shows the value of incorrect benefit paid uncovered by the team.

Table 4: Value of Overpayments (£)			
	2012 / 2013	2013 / 2014	2014 / 2015
Housing Benefit / Council Tax Benefit	207,272	318,372	150,228
DWP Benefits	218,300	116,439	178,581

Complaints

Complaints received against the Council are initially investigated internally, and these cover Stage 3 Complaints and Stage 2 Children's Services Investigations. While 10 have been completed at the end of the year, a further 8 are in progress.

These can be time consuming and a new two stage process has been piloted to look to speed up responses. This has been successful and comes into operation in July 2015.

Disciplinary Cases

Seventeen cases of alleged disciplinary breaches were investigated. The results of these include dismissals, final written warnings, verbal warnings and resignations.

Blue Badges

Work is undertaken to look into Blue Badge abuse. While 8 cases were investigated in 2014 / 2015, further cases have been identified through the NFI process.

Conclusions / Going Forward

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

During 2015 / 2016, works planned to acknowledge and understand fraud risks include:

- Reviewing the Councils anti-fraud and corruption strategy to take account of the requirements of CIPFA's proposed voluntary counter fraud code and the transferred responsibility for housing benefit fraud investigation to the DWP
- Undertake a self-assessment against the counter fraud code
- Update the Council's fraud response plan
- Promote the Councils whistleblowing, anti-bribery policy and anti-money laundering policy; and
- Undertake risk assessments of specific areas potentially susceptible to fraud led by Internal Audit involving individual service managers – this will form the basis of prioritising the Council's anti-fraud response in future years. This will incorporate a separate fraud risk register.

Steve Crabtree
Chief Internal Auditor
June 2015

AUDIT COMMITTEE	AGENDA ITEM No. 7
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

INTERNAL AUDIT: ANNUAL AUDIT OPINION 2014 / 2015

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director Resources	Deadline date : N/A
Audit Committee is asked to:	
1. Receive, consider, provide challenge to and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2015.	

1. ORIGIN OF REPORT

This report provides details of the performance of Internal Audit during 2014 / 2015 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 the key roles of the Committee including the following "2.2.1.1 To consider the annual audit report and opinion of the Executive Director (Strategic 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 The 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 internal audits.

3. BACKGROUND

- 3.1 The Internal Audit Opinion is based on review work undertaken during the period April 2014 to March 2015 and is set out in the attached **Appendix A**.
- 3.2 In preparing the opinion, the Chief Internal Auditor has reviewed all audit activity carried out relating to 2014 / 2015. 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 well as through out the year to Audit

Committee. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

4. OVERALL OPINION

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

5. CONSULTATION

5.1 Summary Committee reports are produced and discussed periodically through Audit Committee for information and challenge. All audit reports are issued to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee in accordance with the agreed Audit Charter (last approved by Audit Committee March 2015).

6. ANTICIPATED OUTCOMES

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. REASONS FOR RECOMMENDATIONS

7.1 In accordance with the Accounts and Audit Regulations 2011; the CIPFA Code of Practice for Internal Audit in Local Government 2006 and the Public Sector Internal Audit Standards (2013), this report summarises the work of the Internal Audit section and its outcomes in their review of internal control for the last financial year. This should be incorporated with the results of other reviews to produce the required Annual Governance Statement.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 No other options appropriate.

9. IMPLICATIONS

9.1 None.

10. BACKGROUND DOCUMENTS

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

- Internal Audit Plan 2014 / 2015
- Internal Audit reports

11. APPENDICES

- Appendix A – Annual Audit Opinion 2014 / 2015

ANNUAL AUDIT OPINION 2014 / 2015

ANNUAL REPORT

1. Introduction
2. Arriving at an Opinion
3. Opinion 2014 / 2015
4. Basis of Annual Opinion
5. Resourcing and Performance
6. Assurance Levels and Recommendations
7. Audit Reports Issued: Opinion of Limited Assurance or No Assurance

1. **INTRODUCTION**

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

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2014 / 2015. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

2.2 **Risk Based Planning**

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

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

2.3 The Audit Review

There are three elements to each internal audit review.

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

2.4 Reporting

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

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, 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	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss / embarrassment / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3. OPINION 2014 / 2015

As Head of Internal Audit, 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:

1. Assessed the quantity and coverage of internal audit work against the 2014 / 2015 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
2. Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
3. Considered any significant actions not accepted by management and the consequent risks, of which there were none;
4. Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
5. Considered the effects of significant changes in the Councils objectives or systems;
6. Reviewed and considered matters arising from reports to Council committees; and
7. Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2014 / 2015:

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

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

*Chief Internal Auditor
June 2015*

4. **BASIS OF ANNUAL OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2015 is detailed at the end of the report and lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. A summary of assurance levels is detailed below. This shows that **44%** of the systems audited achieved an assurance level of significant or higher (2013/14: **43%** 2012/13: **50%**). The lower proportion of higher assurance levels in the last two years is likely to be the result of the change in focus of audit work, rather than an indication of a downward trend in overall assurance.

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/5
Full	0	0	0	0	0	0
Significant	7	6	8	50	43	44
Limited	5	7	9	36	50	50
No	2	1	1	14	7	6
	14	14	18	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2012/13	2013/14	2014/15
Low	8	31	38
Medium	41	45	68
High	63	40	67
Critical	4	1	0
	116	117	173

- 4.2 In addition to the audits detailed in the above table, further audit work was carried out, including 8 follow-ups, 13 grant reviews, 8 pieces of consultancy work as well as 4 governance reports. At the year-end 8 audit reviews and 4 follow ups were in various stages of completion and audit opinions relating to these will be reported during 2015 / 2016 as part of the agreed performance reporting timetable to the Audit Committee.

4.3 **Annual Governance Statement**

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

4.4 **Risk Management and Business Continuity**

Progress continues to be made, with a new mechanism for determining Risk Appetite being included in the Risk Management Strategy. The risk management working group continues to meet regularly and risk registers are updated and reported to Audit Committee. Whilst progress

is being made, the key aspects of: cascading the process throughout the authority and developing robust reporting mechanisms is still underway. In addition to this the organisation is discussing risk with PCC Partners with a view obtaining risk registers in relation to service provision

4.5 **Key Financial Systems**

One or more of the authority's key financial systems is reviewed every year, based on an assessment of risk. This year, budgetary control within Adult Social Care was reviewed, with no major issues identified. We have also been involved in the implementation of the new Agresso financial system (covering Financial Accounting, Accounts Receivable and Accounts Payment modules) as well as the new Human Resources system (covering online expenses). Our role has been to review and advise in relation to the proposed control frameworks.

4.6 **External Activities**

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

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

In December 2014 the Compliance Team moved into Internal Audit from the Governance directorate. This team are responsible for investigating corporate fraud, staff misconduct and Blue Badge fraud and a separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the Compliance team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. In 2014 / 2015 Internal Audit have been involved in three investigations, two of which are ongoing.

4.8 **Limited and No Assurance reports**

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

- Parking Charges
- Petty Cash (St Georges and Children Services Central)
- Leaving Care Allowances
- Heltwate Primary
- Winyates Primary
- Mobile Phones
- Electronic Call Monitoring
- Frameworki (Accounts Payable)

4.9 Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. Those areas worthy of note are:

Electronic Call Monitoring (ECM): This is a system for recording homecare visit start and end times, and was introduced to provide reassurance that service users are receiving the care commissioned on their behalf, and that the amounts invoiced by care providers are a fair reflection of the time carers spend with the service users. The audit found a number of issues which meant that we could not place reliance on the accuracy of the data being submitted by the care providers. We also found that the data was not used as a routine part of the process to check that care was being provided as commissioned. Since the audit there has been a change of focus towards an outcomes based method for monitoring contracts for commissioned care, with ECM becoming voluntary, therefore the recommendations in our report have become obsolete.

Frameworki - Accounts Payable: Frameworki is a care management IT system used by Adult Social Care. It has a finance module that is capable of accounts payable functions and is used to control and manage payments made in relation to service users. Within this module, purchase orders are raised and approved and invoices are processed for payment. The resultant payment information is exported to Oracle (our main accounts payable system) from where the actual payment is made. At the time of the audit only direct payments to services users were being processed in this way (approx. £4.5m per annum), but payments to care providers are now being included. Our audit identified a lack of adequate audit trail currently within FWI, coupled with lack of enforced separation of duties which, together, increases the risk of fraud significantly. Mitigating controls exist within the care management process, and this is an area which will be reviewed in the coming months. Additionally, a recent response to our follow-up indicates that access controls have been tightened significantly. This will be subject to further testing.

5. **RESOURCING AND PERFORMANCE**

5.1 **Resourcing**

5.1.1 During 2014 / 2015, resources were made up as follows:

Chief Internal Auditor	1 post	0.40 FTE
Group Auditor	2 posts	1.46 FTE
Principal Auditor	1 post	0.60 FTE
Senior Auditor	2 posts	2.00 FTE
Auditor	1 post	1.00 FTE
	TOTAL	5.46 FTE

5.1.2 The shared service arrangement with Cambridge City Council and South Cambs District Council, which has delivered efficiency savings and improved performance, has continued. Under this arrangement the Chief Internal Auditor's full time post is split between the authorities with South Cambridgeshire District Council receiving 20% of the post and Peterborough and Cambridge both receiving 40%.

5.1.3 In addition to the Internal Audit shared service arrangement the Chief Internal Auditor has management responsibility for the Insurance Team and the Compliance Team (the latter since December 2014).

5.1.4 The level of sickness within the Internal Audit team is low with 1.58 days per person (0.6%) reported during the year compared to 1.85 days per person at the same time last year. This is also below the corporate target of 3% for employees (8 days).

5.2 **Performance**

5.2.1 We have achieved 90% of the audit plan. Where reviews were not delivered this was mainly due to changes in priority resulting in reviews being replaced with other unplanned audits. Where reviews are still considered to be pertinent they have been rescheduled to be undertaken during 2015/16.

5.2.2 All reports, plans and progress reports have been produced in accordance with agreed timescales and presented to Members via the Audit Committee. The Annual Governance Statement was reviewed by External Audit without any adverse comments.

- 5.2.3 Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our customer questionnaires in excess of our target. Additionally, Internal Audit services have been provided to external customers and positive comments received regarding the reviews undertaken. This work has generated additional funds for the Council.
- 5.2.4 96% of all recommendations made in 2014 / 2015 have been accepted by management (100% of high and critical recommendations), against a target of 90%.
- 5.2.5 Where we have conducted follow-ups, we found that 56% of high priority recommendations that were agreed have been implemented, against a target of 90%. This low figure results from two reports: Electronic Call Monitoring, where a decision has been made to discontinue with the process that was audited; and Frameworki - Accounts Payable, where the IT system cannot be changed to enable some of our recommendations to be implemented. Discounting these two reports, our performance in this area is 100%.

6. ASSURANCE LEVELS AND RECOMMENDATIONS 2014 / 2015

Where audits are "shaded", these represent those jobs not started at 31 March 2015.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Budgetary Control	Adult Social Care & Public Health / Resources	Significant	0	0	3	0	3	Draft issued
Main Accounting	Serco / Resources							Deleted from plan due to the implementation of the new financial system. Budgeted time to be used to review proposals for the new financial system – see below.
Fixed Asset Accounting	Serco / Resources							Removed from plan as covered by External Audit.
Council Tax Reduction Scheme	Serco / Resources							In progress
Accounts Receivable – Parking Charges	Serco / Resources	Limited	0	5	0	0	5	Final issued
Financial System Implementation (Agresso)	Serco / Resources	N/A	N/A	N/A	N/A	N/A	N/A	Consultancy role ongoing – no report expected.
HR System Implementation	Governance / Serco	N/A	N/A	N/A	N/A	N/A	N/A	Consultancy role ongoing – no report expected.

AUDIT ACTIVITY	Department	COMMENTARY
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.	
Annual Governance Statement Review	All	Complete. Presented and agreed by Audit Committee on 30 June 2014
Annual Audit Opinion	All	Complete. Presented to Audit Committee on 30 June 2014
Annual Audit Plan	All	Complete. Presented to Audit Committee on 16 March 2015
Internal Audit Effectiveness / Audit Committee Effectiveness	All	Complete. Presented to Audit Committee on 30 June 2014
Anti-Fraud Culture	All	NFI Initiative – review of data matches to commenced early 2015 and continuing. Liaison with the Corporate Compliance Team and evaluation of controls resulting from frauds.
Information Governance	All	Liaison and strategic overview as part of the Information Governance Group On-going
Risk Management	All	Attendance at Risk Working Group/consultancy advice on proposals.
Partnership Governance	Serco / Resources	Review of Serco Contract Management in progress

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Care Needs Assessment	Adult Social Care & Public Health							Deferred to 15/16 plan due to the changes introduced by the Care Act.
Frameworki – IT system	ASC & Public Health							To be combined with above audit.
Public Health Delivery	ASC & Public Health							In progress
Commissioning	Communities							In progress
Recruitment and Retention	Children Services	Significant	0	1	0	2	3	Final issued
Children's Svcs IT system	Children Services							In progress
Petty Cash – St George's	Children Services	Limited	0	3	3	3	9	Draft issued
Petty Cash – Children's Services	Children Services	Limited	0	9	7	8	24	Draft issued
Leaving Care Allowances	Children Services	Limited	0	2	10	2	14	Final issued
Heltwate Primary School	Children Services	Limited	0	5	1	1	7	Draft issued
Winyates Primary School	Children Services	No Assurance	0	14	10	4	28	Draft issued
Capital Project Management	Growth & Regeneration							Deferred until 2015/6
Materials Recycling Facility	Serco / Resources							No longer required
Data Security – Mobile ices	Serco / Resources							Carried Forward to 2015/16

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Business Continuity	Governance							In progress
Procurement	Serco/Resources							To be combined with Commissioning.
Contracts: Dementia Resource Centre Care & Repair Schedule of rates contract	Adult Social Care	N/A	N/A	N/A	N/A	N/A	N/A	Investigation into overspend. Complete. Overview of contract process issue. Complete.
Projects: J17 – Fletton Parkway Overspend	Growth & Regeneration	Significant	N/A	N/A	N/A	N/A	N/A	Draft memo in progress.
Community Infrastructure Levy / S106	Growth & Regeneration	Significant	0	0	3	2	5	Final issued
Mobile Phones - Value For Money Review	All	Limited	0	6	9	3	18	Draft report and memos issued

EXTERNAL WORKS	Work which generates income for the council
Vivacity	9 audits carried out during the year.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
GRANT CLAIM CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2012/13	Growth and Regeneration	Certified	A grant to support bus services, including community transport services.
Growth Area Fund 2013/14	Growth and Regeneration	Certified	A non ring-fenced capital grant to support a programme of growth and development.
Cleantech Incubation Europe	Serco/Resources	Certified	European funding to support small and medium sized businesses in their use of clean technology. Two claims certified.
Zecos 7 th and 8 th (final) claim	Growth and Regeneration	Certified	European funding to support carbon reduction in the local community. Both claims certified.
Disabled Facilities Grant 2013	Communities	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Electoral Registration Transformation Programme	Governance	Certified	Funding to support the transition to Individual Electoral Registration.
Local Transport Funding Grant 2013/14.	Growth and Regeneration	Certified	This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.
Local Transport Funding - Additional Highways Grant	Growth and Regeneration	Certified	A grant to support local authorities in funding capital costs for integrated transport measures and highway maintenance schemes.
Pinch Point Grant 2013/14	Growth and Regeneration	Certified	A fund to help local authorities keep traffic moving and remove bottlenecks on the local highways network.
Severe Weather Grant 2013/14	Growth and Regeneration	Certified	A scheme to support local authorities with costs in dealing with recovery from flood damage in December 2013 and severe weather between December 2013 and up to 7th February 2014.
Local Sustainable Transport Grant 12/13	Growth and Regeneration	Certified	Grant relating to Travelchoice Plus.
Troubled Families	Communities	Certified	Results based funding to support families meeting certain criteria. July 2014 certification complete.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Carry Forward Provision	Provision for the completion of 2013-14 audits							
Risk Management	Governance	Significant	N/A	N/A	N/A	N/A	N/A	Final Issued
Electronic Call Monitoring	Adult Social Care/ Communities	Limited	0	7	1	2	10	Final issued
Accounts Payable	Serco/Resources	Significant	0	5	7	5	17	Final issued
Payroll	Serco/Resources	Significant	0	2	2	2	6	Final issued
Fuel Cards	Serco/Resources	Limited	0	1	6	2	9	Draft issued
Frameworki – Accounts Payable module	Adult Social Care	Limited	0	6	3	2	11	Final issued.
Contract Management – Alleged Irregularity	Adult Social Care/ Communities / Governance	Investigation into alleged under-delivery of contracted services. Complete						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS IMPLEMENTED					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Follow-up Provision:	Revisiting audits after 6 months to monitor the implementation of recommendations							
Electronic Call Monitoring	Communities	N/A	N/A	N/A	N/A	N/A	N/A	Complete
Integrated Community Equipment Store	Adult Social Care							In progress
The Beeches Primary School	Resources	N/A	N/A	N/A	N/A	N/A	N/A	Complete
Payroll Overpayments	Resources	Significant	0	1	3	0	4	Draft issued.
Travel & Subsistence	Resources							In progress
Frameworki – Accounts Payable	Adult Social Care	Limited	N/A	N/A	N/A	N/A	N/A	Memo issued
Direct Payments	Adult Social Care							In progress
Translation Services	Communities							In progress

AUDIT ACTIVITY	Department	COMMENTARY
Provision for unplanned activities:		Internal Audit provides control and risk advice to officers/management/members as a result of changing risks. This audit activity covers review work that is additional and was not specified as part of the original audit plan
Translation Services – Payment Proposals	Communities	Advice on proposals to speed up payments for translation services. Complete
Shared Lives – Carer Invoices	Adult Social Care	Investigation into delays and errors in the payment of certain invoices. Complete.
Care Provider Invoicing Proposals	Adult Social Care	Provision of advice regarding the proposal to use Frameworki /Oracle interface to pay residential care costs, and the proposal to pay without invoice. Complete.
School A	Children's Services/ Resources	Investigation into allegations of inappropriate spending. In progress.
Financial Regulations Review	Resources	Provision of a summary of audit observations that have an impact on the review of Financial regs. Complete.
Authorised signatory forms	Resources	Advice on the use of manual signatures as a control within Payroll, Accounts Payable, petty cash etc. Complete
Foster Carer Payment process	Resources/Serco	Review of processes following the need to make an emergency CHAPS payment. Memo issued. Complete.
Penalty Charge Notice cancellations	Governance	Review of reasons for cancellations. Memo issued. Complete.
Schools	Resources	Advice on selling unwanted items. Guidance on the use of purchasing cards. Complete
Statutory Compliance Testing in Schools (Amey)	Resources	Whistleblowing allegation leading to a review that checks are being carried out as required under contract In progress

7. **AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

	AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1.	Parking Charges	Limited	29 June 2015
2.	Leaving Care Allowances	Limited	29 th June 2015
3.	Frameworki – Accounts Payable	Limited	29 th June 2015
4.	Electronic Call Monitoring	Limited	3 November 2014

Audit Title 1	Parking charges
Objectives	To obtain assurance that all parking revenue is received for on and off street parking, penalty charge notices, occasional and annual parking permits; that income is accounted for and recovered where necessary; that penalty charge notices and appeals are managed in accordance with the Traffic Management Act 2004 and that occasional and emergency parking permits are issued appropriately.
Findings	<ul style="list-style-type: none"> • There is a fragmented approach to reconciliation and thus limited assurance that all parking income is received and accounted for. • There is a lack of central control and reconciliation for staff permits. Staff with responsibility for selling the permits account for their small number but there needs to be a more holistic approach to accounting for them. These risks have resulted in the recommendations that control for both types of permit (occasional and emergency) should be brought back under the Parking Manager and his staff. • Enforcement Officers are alert to the potential for misuse of occasional permits by staff (whereby permits are completed in pencil, then erased and used on subsequent days), and a number of cases have been dealt with via the disciplinary process. Options to reduce this potential may prove expensive. Using Insite to warn staff of the consequences of misusing permits has also been discussed with the Parking Manager and we would welcome this action to raise the profile of any campaign targeting permit abuse. • Emergency permits are being issued often without approval and without giving a reason. Certain members of staff obtain these emergency permits frequently. It is not possible to give assurance that they are being used appropriately. • The appeals policy for penalty charge notices is not being complied with. A high proportion of penalty charge notices are being cancelled by the sundry debtor team without the authorisation of the budget holder. Testing showed 8 out of 10 being cancelled in contravention of the exemption code. This has resulted in the recommendation that all cancellations and write offs are signed off by the budget holder/Parking Manager.
Findings and Conclusions	<p>Parking Services has been fragmented over recent years with no one area having responsibility for the service as a whole, this together with staff cuts has led to a general lack of control. Parking Services have now been put back under the control of one manager within PCC and this is seen as an opportunity to get it back on track.</p> <p>Limited Assurance</p>

Audit Title 2	Leaving Care Services
Objectives	<p>To provide assurance that there are controls in place to mitigate against the risk of:</p> <ul style="list-style-type: none"> - Expenditure not being identified, resulting in budget overspend - Young people not being referred to the leaving care team and therefore do not receive their entitlements - Payments being made to the wrong person, incorrect amounts paid and payments not authorised
Findings	<p>The lack of monitoring of the budget for Leaving Care Allowances is a concern. Monitoring reports are not received by the team manager and reconciliations between Oracle Financials and team records are not undertaken. Without these controls in place, there is a greater risk of fraud and/or error taking place.</p> <p>Financial Guidance for Practitioners is a document provided to the Leaving Care team to ensure payments made to support young people are in accordance with legislation. However, the review found that guidance is not followed in every case. The document itself requires a review to reflect current practices.</p>
Conclusions	<p>Overall, assurance cannot be given that the budget information for the team is accurate. The records kept form the basis of a monitoring tool, but the lack of reconciliation between these and Oracle Financials means there is a risk of inaccurate and incomplete information being provided. A review of the 'Leaving Care Financial Guidance' will ensure that current practice is documented, but practitioners interpretation of the guidelines needs to be consistent.</p> <p>Limited Assurance</p>

Audit Title 3	Frameworki – Accounts Payable
Scope	<p>The purpose of the audit was to establish whether satisfactory process, access, approval rights, and separation of duties controls are in place in the FWI finance module and associated processes to reduce the risk of error or fraud. The scope was to establish whether effective controls were in place to ensure that:</p> <ul style="list-style-type: none"> • Payments are valid and accurate • Payments made via the interface between FWI and Oracle are correctly accounted for.
Findings	<ul style="list-style-type: none"> • Some individual users have powerful access rights that would allow them to create and authorise a purchase order, then create and approve a payment cycle within FWI. FWI does not prevent the same officer creating and authorising a purchase order. • The FWI system does not always identify who approved a purchase order, and it was not possible to obtain a report listing all authorisations. It was therefore not possible to assess whether appropriate separation of duties had actually taken place. • A few users have been granted powerful authorisation rights (e.g. approval of personal budgets up to £250,000 per annum per service user). This gives those officers far greater approval powers than have been directly assigned to them. • Authorisation levels allocated to individuals in FWI are generally inconsistent with, and in many cases exceed, those laid down in Financial Regulations. Although there is scope for variations to standard limits to be approved, this approval does not appear to have been sought. • It was estimated that 80% of purchase orders generated in FWI are open-ended, due to the indefinite nature of required care. Contract and Financial Regulations require that the total estimated cost of a purchase is calculated. Open-ended POs present a risk that the council's procurement thresholds could be breached without an appropriate procurement exercise.
Conclusions	<p>While no evidence of fraud or error was noted during testing, the lack of adequate audit trail currently within FWI, coupled with lack of enforced separation of duties within FWI makes this a real possibility. It may be necessary to ask CoreLogic, the supplier of FWI, for advice on system configuration to allow effective controls to be set, and a satisfactory audit trail obtained.</p> <p>It is noted that Financial Regulations (FRs) and Contract Rules (CRs) do not reflect the reality of care provision within ASC. Many types of care procured by ASC are not currently covered by existing framework contracts, although it is understood that efforts are being made to get all care types on framework contracts. Contract Rules permit a retrospective exemption from normal contract processes where "it is necessary for an officer in Children's Services or Adult Social Care to act immediately to secure care for any vulnerable person". CRs do not explain at what point immediate need lapses and starts being foreseeable future need. In other words, in non-framework cases, whether care secured under the initial exemption may run indefinitely or is for a fixed short term period leading to a further procurement exercise. CRs do not reflect that once a care package is implemented for a service user (e.g. placement in residential care) there may be valid reasons, related to health of clients and PCC's reputation, why there might be reluctance to change supplier at cessation of contract, but CRs require competition between potential suppliers. It is important that these issues are resolved. These issues are relevant to FWI, because the system and how it is used, should reflect the requirements of CRs and FRs.</p> <p>Limited Assurance.</p>

Audit Title 4	Electronic Call Monitoring
Scope	<p>Electronic Call Monitoring systems automate the recording of care visit start and end times, and are intended to provide reassurance that service users are receiving the care commissioned on their behalf, and that invoiced visit durations are a fair reflection of the time carers spend with the service users. The purpose of the audit was to:</p> <ul style="list-style-type: none"> • Establish whether contractual requirements for ECM are robust enough to allow PCC to properly monitor service delivery and ensure security of data • Review how PCC uses ECM data to monitor service delivery and accuracy of billing • Form a view on reliability of data sets provided • Establish whether care provided, according to the data sets, was reasonably consistent with that planned, and matches that billed.
Findings	<ul style="list-style-type: none"> • Schedule 13 of the new framework contract allows ECM systems to accept “manual overrides” so that legitimate exceptions can be manually entered. ECM reports are submitted by care providers, rather than produced remotely by PCC. This raises concerns about editability of data within and outwith ECM systems. • None of the five ECM reports provided for examination contained sufficient information to comply with the contractual requirements laid down in Schedule 13. For example, two of them did not detail the scheduled care planned by the care provider. PCC’s template ECM report was not completed until after the new contracts went live • ECM data is not tested to ensure it appears reasonable and that it meets contractual requirements. Currently, ECM data is only referred to in exceptional cases, e.g. where invoiced charges are significantly higher than expected, or where there are specific grounds for concern. • Two ECM reports showed that more than 50% of all visits listed matched exactly to the minute, the actual visit duration, to the commissioned care stated on Frameworki, and/or the planned care entered into the ECM system by the care provider. The same two reports showed in excess of 50% of actual visit start times, end times, and durations ending in 0 or 5. These figures seem disproportionately high, and suggest that a substantial portion are resulting from rounded rather than “real time” data. • While there is a mechanism in place to detect where care charges are in excess of that expected, there is none to detect lower than expected charges (which could indicate insufficient care provision).
Conclusions	<p>Without control over one centralised ECM system for all care providers, PCC must trust the care providers to introduce and operate effective systems. For reliance to be placed on any ECM data, it is necessary to ensure that genuine automated call data is uneditable, readily accessible, and easily distinguishable from manually entered data. Adequate safeguards must exist to prevent data being manipulated to PCC’s disadvantage. Recommendations in this report are made with a view to maximising reliability of data without substantial changes. However, management are now considering introduction of Provider Management Software (PMS) to collate and analyse data from care providers’ own systems, or a centrally administered ECM system. Such systems would take time to introduce, and consideration will need to be given to how the interim period is managed.</p> <p>Limited Assurance.</p>

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AUDIT COMMITTEE	AGENDA ITEM No. 8
29 JUNE 2015	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2014 / 2015

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director Resources	Deadline date : N/a
Committee is asked to:	
1. Consider and endorse the annual review of the effectiveness of Internal Audit 2014 / 2015.	

1. ORIGIN OF REPORT

This report is submitted as part of the Audit Committee work programme for 2015 / 2016.

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 “2.2.1.3 To consider reports dealing with the management and performance of the providers of internal audit services”.
- 2.2 In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council conducts an annual review of the system of internal audit to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

3. INTERNAL AUDIT EFFECTIVENESS

- 3.1 The Accounts and Audit Regulations require all Councils to review their systems of internal control and to provide an adequate and effective Internal Audit function. From 2011, they required that an annual review should be referred to the appropriate committee.
- 3.2 To address the Accounts and Audit Regulations 2011 requirement, an assessment of Internal Audit has been carried out which is presented for consideration by Audit Committee. It contains an opinion on the effectiveness of the service including a self-assessment against the Public Sector Internal Audit Standards (referred to Audit Committee in March 2013).
- 3.3 The review was undertaken by the Chief Internal Auditor and the report (**Appendix A**) is presented for Members’ consideration and comment.

3.4 As part of the standards, there is a requirement for an independent evaluation as to how the standards are met once every five years. For consistency across the partnership with Cambridge City and South Cambridgeshire, this is current proposed for early 2016. However, we are aware that the current standards are under review and any changes are expected to be released in the summer of 2015. We will review to ensure they do not have a material impact on any assessment.

4. CONCLUSION

4.1 Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2014 / 2015 indicates that this has been both appropriate and effective. The report demonstrates that the Council has an effective system of internal audit including a policy framework, internal audit function, audit committee and effective management engagement.

5. CONSULTATION

5.1 This report has been issued to the Service Director Financial Services for consideration.

6. ANTICIPATED OUTCOMES

6.1 It is reasonable from all the assurances now available to the Council to conclude that a sound system of internal audit operated throughout 2014 / 2015.

7. REASONS FOR RECOMMENDATIONS

7.1 To seek endorsement from members that internal audit within the authority is being delivered and provide effective challenge to the organisation.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9. IMPLICATIONS

9.1 This report contains no specific financial implications.

10. BACKGROUND DOCUMENTS

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

- Internal Audit Plans;
- Internal Audit Charter;
- Accounts and Audit Regulations 2011;
- Statement of the Role of the Head of Internal Audit, CIPFA, 2010; and
- Public Sector Internal Audit Standards 2013

11. APPENDICES

- Appendix A: Annual Review of the Effectiveness of Internal Audit

ANNUAL REVIEW: EFFECTIVENESS OF INTERNAL AUDIT

2014 / 2015

1. **BACKGROUND**
2. **CURRENT ARRANGEMENTS FOR INTERNAL AUDIT**
3. **BASIS FOR OPINION**
 - Staff Resources
 - Training and Experience
 - External Audit Opinion
 - Public Sector Internal Audit Standards (PSIAS)
 - Statement of Role of Head of Audit
 - Risk Management and Governance Arrangements
 - Audit Committee
4. **CONCLUSION**
5. **COMPLIANCE AND QUALITY IMPROVEMENT PLAN (PSIAS 1320)**

1 BACKGROUND

- 1.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of its internal audit and to present the results of that review to the appropriate committee.
- 1.2 An assessment of Internal Audit has been carried out which is presented for consideration by Audit Committee. It contains an opinion on the effectiveness of the Internal Audit Service including a self-assessment against “*The Public Sector Internal Audit Standards 2013*”. An action plan has been put in place to ensure future compliance.

2 CURRENT ARRANGEMENTS FOR INTERNAL AUDIT

- 2.1 Internal Audit at Peterborough is provided through an in-house team (see 3.1) which is part of Strategic Resources, headed up by the Chief Internal Auditor (CIA). It works closely with others in the Council tasked with assurance, governance and risk management but retains a separate identity in relation to the performance of Internal Audit.
- 2.2 The CIA reports to the Service Director Financial Services and the Executive Director of Strategic Resources but also has direct access, if required to the Chief Executive, Council Leader, Executive Members and the Chair of Audit Committee.
- 2.3 Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a “first point of contact”. This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.
- 2.4 The overarching strategy for the service is set out in the Annual Audit Plan (approved in March each year by Audit Committee) and this is reiterated in its Audit Charter. Internal Audit work follows recognised best practice standards and is independently reviewed by External Audit.

2.5 To examine the system of internal audit, this review considered several key elements and assessed their contribution to enabling the section to fulfil its responsibilities. These were:

- The structure and resourcing level, including qualifications and experience of the audit team;
- The extent of compliance with the Public Sector Internal Audit Standards;
- Comparison with the Statement on the Role of the Head of Internal Audit;
- Ensuring that the Section successfully audits the most appropriate areas on a prioritised (risk) basis; and
- The performance of the audit team (details of which are reported in the Annual Internal Audit Opinion report).

3 BASIS FOR OPINION

3.1 Staff Resources

3.1.1 During 2014 / 2015, resources were made up as follows:

- Chief Internal Auditor. 1 officer. 1.00 FTE which is shared between Peterborough (40%), Cambridge City (40%) and South Cambridgeshire (20%).
- Group Auditor. 2 officers. 1.46 FTE
- Principal Auditor. 1 officer. 0.60 FTE.
- Senior Auditor. 2 posts. 2.00 FTE.
- Auditor. 1 post. 1.00 FTE.

3.1.2 As well as undertaking the 2014 / 2015 plan, there were some audits carried forward from 2013 / 2014 to be completed in Quarter 1.

3.2 Training and Experience

3.2.1 Training plans encourage ongoing improvement via both career progression and continuing professional development. There is a varied mix of qualifications / experience within the team such as:

Audit experience:

- Peterborough City Council service ranges from a minimum of 7 years to over 26 years (22 of which within the Internal Audit environment); and
- Previous work experience with banks, accountancy firms, other local authorities and public sector organisations.

Qualifications:

- Qualified Accountants – CIPFA (x1);
- Institute of Internal Auditors – Member (CFIIA x2); Practitioner Level (PIIA x1); Certificate Level (CIIA x1)
- Association of Accounting Technicians – Member (MAAT x1)

3.2.2 The level of experience of audit staff remained constant during the year. There was some staff rotation to enable a breadth of experience and for continuing professional development and this will continue based on operational need and the priority and timing of work. This approach provides increased flexibility to meet audit needs, particularly in time specific and statutory audits.

3.3 External Audit Opinion

3.3.1 External Audit comment in the Annual Audit Letter on the adequacy, or otherwise, of Internal Audit as well as other governance arrangements. The latest report taken to Audit Committee concluded that they could place reliance on the work of Internal Audit.

3.3.2 Liaison with the external auditor continues to be productive and offers the opportunity to co-ordinate audit plans and to share information and to inform risk assessments. The Section agreed the scope and approach to auditing the core financial systems enabling Internal Audit to deliver work of increased value to the Council whilst ensuring that the needs of the external auditor are addressed.

3.4 **Public Sector Internal Audit Standards (PSIAS)**

- 3.4.1 PSIAS came into effect from 1 April 2013, although demonstrating compliance against them is not required until 31 March 2014. A copy of the standards was on the Audit Committee agenda in March 2013 together with an initial overview to provide a checklist for establishing the degree of compliance. Following analysis, a summary improvement plan (as per Standard 1320) is set out in Section 5 below.
- 3.4.2 Following the review, in accordance with standard 1322, significant deviations to the standards must be reported. It is pleasing to note that only minor issues have been identified – such as continuing to regularly review our procedures (which are undertaken anyway) and the new requirement for an external appraisal of the service. It can be concluded therefore that there are **no significant areas** to be addressed.
- 3.4.3 An external assessment is required every 5 years. We have planned for this to be undertaken in 2015 / 2016 (the third year). We have been advised that the current standards are being updated / amended which may have some impact on any assessment. Due to the cost of an external assessment we will await clarification as to the changes made before committing ourselves to the assessment. If the evaluation has to be deferred in to 2016 / 2017, this would still be within the 5 year timeframe.

3.5 **Statement on Role of Head of Internal Audit**

- 3.5.1 CIPFA published its Statement on the role of the Head of Internal Audit (HIA) in public service organisations in December 2010 following widespread consultation. The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure internal audit against. As well as articulating the core responsibilities of the HIA, it also identifies the personal and professional skills needed.
- 3.5.2 Based on five principles, it defines the core activities and behaviours that belong to the role of the HIA and the organisational arrangements needed to support them. For each principle it sets out the governance arrangements required to ensure that HIAs are able to operate effectively and perform their core duties. It also sets out the core responsibilities of the HIA.
- 3.5.3 There are a series of attributes and personal qualities which sit below these principles, some subjective. A full review against the standards was undertaken and reported to Audit Committee in June 2012. This indicated that the role of the Head of Internal Audit at Peterborough met the underlying aims of the five principles. Minor improvements were identified and these are also highlighted within the new PSIAS.

3.6 **Risk Management and Governance Arrangements**

- 3.6.1 Prioritisation of the work of the Audit Section is achieved by the development and delivery of an annual risk based Audit Plan. This describes the assurance plans for the Section and includes some capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate. The plan is based on a mix of different types of audit and risk based work to ensure that assurance over the Council's systems of governance, risk management and internal control is obtained from a number of different directions and sources.
- 3.6.2 The Section's methodology for establishing audit priorities is aligned with the Council's governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs to support the Council's overall objectives. The Section reviews corporate risk registers, business plans and discusses Council objectives and priorities with Directors and Heads of Service to assess assurance needs. The Audit Plan is discussed and approved by Audit Committee in March each year.
- 3.6.3 It is considered that the 2014 / 2015 Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with senior management and Committee. During the year some audit work was deferred or cancelled due to the timing of the audits and additional coverage elsewhere – either due to increased risk or special requests.
- 3.6.4 For 2014 / 2015, the agreed Audit Plan again show links to the corporate aims / objectives in order to clearly demonstrate how audit work relates to the achievement of Council objectives.

3.7 **Audit Committee**

- 3.7.1 The system of Internal Audit includes the role of the "Audit Committee" and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place for the delivery of an effective service. The arrangements for the Committee increased in 2012 / 2013 with there amalgamation with the previous Standards Committee although there was continuity of membership. Regular briefings took place with the Chair of Audit Committee and separate training sessions provided when requested. In addition there is an Audit Committee handbook.
- 3.7.2 All final audit reports are issued to appropriate Officers / Members in accordance with the service protocols. Key issues are referred to Audit Committee as part of ongoing progress reports.

4 CONCLUSION

4.1 Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2014 / 2015 indicates that this has been both appropriate and effective. **The report demonstrates that the Council has an effective system of internal audit including a policy framework, internal audit function, audit committee and effective management engagement.**

5 COMPLIANCE AND QUALITY IMPROVEMENT PLAN (PSIAS 1320)

For the purposes of the review, the following definitions are used:

- Chief Audit Executive (CAE) = Chief Internal Auditor
- Board = Audit Committee
- Senior Management = Corporate Management Team

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Ref.	STANDARD	COMMENTARY	ACTION
1000	Purpose, Authority and Responsibility		
	The purpose, authority and responsibility of Internal Audit activity must be defined in an Internal Audit charter, consistent with the <i>Definition of Internal Auditing</i> , the <i>Code of Ethics</i> and the <i>Standards</i> . This should be approved by Senior Management and the Board.	<p>The Audit Charter should be regularly reviewed.</p> <p>There is a separate Audit Manual which details the processes/practices followed within the Section. While not a document which is not required to be approved, it needs to be consistent with the approved Charter.</p>	<p>The Audit Charter and Audit Manual will be compared with the new Standards to ensure compliance.</p> <p>The Charter will be submitted to senior management and the Board for approval with the Audit Plan the next Audit Plan.</p> <p><u>PROGRESS:</u> Audit Committee annually approve the updated Charter, Code of Ethics, Performance Indicators and the Audit Plan. This was last in March 2015.</p>

1110	Organisational Independence		
	<p>The CAE must establish effective communication links with the Chair of the Board and Chief Executive</p> <p>The CAE must not report to or be managed at a lower level within the organisation than the Corporate Management Team</p>	<p>There are formal meetings (briefings) with the Audit Committee chair prior to each Committee. While there are no formal meetings with the Chief Executive scheduled, access is available to the Chief Executive on request to discuss control issues / concerns as and when they arise.</p> <p>Functionally, the CIA reports to the Audit Committee and to s.151 Officer (Executive Director of Strategic Resources) who is a member of CMT. For line management purposes, CIA is managed by the Service Director Strategic Finance (who is NOT a member of CMT).</p>	<p>Agree with Chair of Audit Committee if there is a need for additional arrangements for liaison / communication meetings</p> <p><u>PROGRESS:</u> Formal briefings have continued, there has not been a need to change this but is verified quarterly in line with committee deadlines.</p>
1220	Due Professional Care		
	<p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p>	<p>The Audit Manual sets out the standards individual auditors must meet in their allocated assignments. The Manual is based on the previous Code of Practice and therefore needs to be reviewed to take account of any changes required to meet the PSIAS and to reflect improvement made locally since it was last reviewed.</p>	<p>Review and update the Audit Manual</p> <p><u>PROGRESS:</u> Ongoing</p>
1300	Quality Assurance and Improvement Programme		
	<p>The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>The objective is to provide for an assessment of compliance with the PSIAS, together with efficiency and effectiveness of internal audit activity. Previous annual reviews against Code of Practice have been referred to Audit Committee. The programme should also identify opportunities for improvement</p>	<p>This section is to be referred to as the Improvement Programme</p> <p><u>PROGRESS:</u> Updated</p>

<p>1312</p>	<p>External Assessments</p>	<p>External assessments must be conducted at least once every 5 years by a qualified independent assessor from outside the organisation. The CAE must discuss with the Board:</p> <ul style="list-style-type: none"> - The form of external assessments. - The qualifications and independence of the external assessor – including conflicts of interest. 	<p>NEW REQUIREMENT.</p> <p>External assessment can be either “full” assessment or self-assessment with independent external evaluation.</p> <p>Ongoing discussions with other local authorities within the county to look to undertake a peer review in order to minimise costs.</p>	<p>Proposals will be submitted to Audit Committee detailing future arrangements and timescales agreed.</p> <p><u>PROGRESS:</u> It is proposed for external assessment to be undertaken during 2015 for consistency across the partnership. However comments in 3.4.3 above should be noted.</p>
<p>2030</p>	<p>Resources Management</p>	<p>The CAE must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.</p>	<p>The Audit Plan identified the resource gaps between what ideally should be the audit coverage level based on risk assessment and what can be delivered with current staffing levels. Existing vacancies were factored in to be recruited into by the mid point of the year and agreed by Audit Committee. In future years, subject to filled vacancies, the practical reality is that current staffing levels drive the total amount of audit activity given that there is no prospect of any increase in resources in the current economic climate.</p> <p>Resources are deployed subject to the mix of skills, competencies and experience required by each assignment – together with recognition of individual auditors’ development needs. The timing of audits is planned with relevant senior management to minimise abortive work and time – except where unannounced visits are necessary.</p>	<p>Resources will be regularly reviewed to ensure appropriate coverage can be maintained. This will enable the CIA Opinion to be annual provided.</p> <p>Any significant changes will be reported to Audit Committee.</p> <p><u>PROGRESS:</u> Vacant posts have been appointed to and an appropriate plan set in order to deliver an overarching opinion.</p>

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AUDIT COMMITTEE	AGENDA ITEM No. 9
29 JUNE 2015	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

DRAFT ANNUAL GOVERNANCE STATEMENT 2014 / 2015

RECOMMENDATIONS	
FROM : John Harrison, Corporate Director: Resources	Deadline date : N/a
Committee is asked to:	
<ol style="list-style-type: none"> 1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement; 2. Review and comment on the Annual Governance Statement including any areas which should be amended; and 3. Subject to changes identified above, agree and approve the draft statement for inclusion in the audited statement of accounts, published by 30 September 2015. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted as part of the annual closure of accounts process and is included in the Audit Committee work programme for 2015 / 2016.

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 "2.2.1.15: To oversee the production of the authority's Annual Governance Statement and to recommend its adoption".

3. BACKGROUND

- 3.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The AGS covers the Council's governance arrangements for the 2014 / 2015 reporting year.
- 3.2 Historically, the AGS has been published as *part of* the annual Statement of Accounts. Regulation 4 (4) in the Accounts and Audit Regulations 2011 now state that the AGS should *accompany* the published accounts. This is to '*make clear that the Annual*

Governance Statement is not part of the statement on which the auditor's opinion is given. It is up to the organisation concerned to decide whether the AGS should be included as part of the Statement of Accounts or be issued as a separate document. As in previous years, the Council has agreed to continue to publish the AGS as part of the Statement of Accounts.

- 3.3 This report includes the draft AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly. The report also identifies progress with the 2013 / 2014 AGS and presents the necessary recommendations for Member approval that will allow the Council as a whole to ensure that the AGS is produced in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and therefore meet External Audit requirements.

4. SCOPE OF THE ANNUAL GOVERNANCE STATEMENT

- 4.1 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 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government and the Council's AGS for 2014 / 2015 has been drafted in accordance with this framework to ensure the requirements of the regulations referred to above are met. Since 2003 / 2004, responsibility for carrying out these processes has rested with the Chief Internal Auditor. In December 2010, CIPFA issued a statement on "*The Role of the Head of Internal Audit in Local Government*", which states that the Head of Internal Audit should "*set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it*", **but** "*should not be responsible for preparing the report*". Due to on-going capacity issues this has remained with the Chief Internal Auditor.

- 5.2 The assurance gathering process to support the AGS is set out in **Appendix A**.

6. SUPPORTING EVIDENCE

- 6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

6.2 Internal Audit

- 6.2.1 There are two separate reports on the Audit Committee agenda which are the Annual Internal Audit Opinion 2014 / 2015 together with the Review of Internal Audit. The key issues are:

- Internal Audit progress reports are included as part of the Committees' Work Programme and any significant control and governance issues or material to the overall control environment of the Council are highlighted;
- The Annual Audit Opinion highlighted some gaps which needed to be addressed;

- Despite some weaknesses, there remains a sound internal control environment. Reasonable assurance is provided and an unqualified opinion put in place;
- There is overall compliance with the CIPFA publication on the Role of the Head of Internal Audit together with the new Public Sector Internal Audit Standards; and
- Overall, positive assurance can be provided on the service.

6.2.2 In conclusion, the Annual Audit Opinion to the Audit Committee on 29 June 2015 gave a reasonable assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above.

6.3 External Audit – PricewaterhouseCoopers (PwC)

6.3.1 Throughout the year, PwC have been commissioned to undertake various reviews which have been circulated and discussed / approved at Audit Committee. PwC provides an Annual Audit Letter giving an overall evaluation of the Council. The content of the letter was reported to Cabinet and Audit Committee (2 February 2015) and overall is positive and states that the Council is performing well. The key messages are:

EXTRACT FROM ANNUAL AUDIT LETTER: 2 FEBRUARY 2015		
Area of Review	Commentary	Opinion
Accounts	We audited the Authority's Statement of Accounts in line with approved Auditing Standards	Issued an unqualified audit report on 24 September 2014.
Economy, efficiency and effectiveness	Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.	Issued an unqualified value for money conclusion.
Whole of Government Accounts	We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission.	The audited pack was submitted on 24 September 2014. We found no areas of concern to report as part of this work.
Annual Governance Statement	Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA / SOLACE. The AGS accompanies the Statement of Accounts.	We found no areas of concern to report in this context.

6.3.2 In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2013 / 2014 Financial Accounts and confirms an effective system of internal control.

6.4 Executive Directors: Internal Control and Governance Self Assessment

6.4.1 Strategic Finance issued each Directorate with the Internal Control and Governance Self-Assessment as part of the accounts closure process. This assessment provides a considered overview of the controls in place in order to come to an opinion on the

governance arrangements and internal control environment within their service. The areas covered within the assessment were:

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

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

6.5 Performance Management and Data Quality

As well as the testing identified in 6.4 above, regular reporting of performance is in evidence across the Council. Monthly reports range from financial to non-financial data; covering budgets, performance levels, service delivery, programmes and projects. Regular discussions are held at Corporate Management Team; scrutiny panels and boards and areas of concern identified are addressed to reduce or prevent any deterioration in service.

6.6 Risk Management

Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives. There has been progress on developing risk registers which have been referred to Audit Committee (the latest being in March 2015), and efforts are currently focussed on business continuity.

6.7 Corporate Governance

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

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. Following drafting, the AGS (**Appendix B**) has been issued to Corporate Management Team.

8. ANTICIPATED OUTCOMES

- 8.1 The draft AGS is presented to the Members of this Committee for review and advise the Leader and Chief Executive upon, prior to it being signed off by the Leader and the Chief Executive for inclusion in the Statement of Accounts.

9. REASONS FOR RECOMMENDATIONS

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

10. IMPLICATIONS

- 10.1 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.

11. BACKGROUND DOCUMENTS:

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

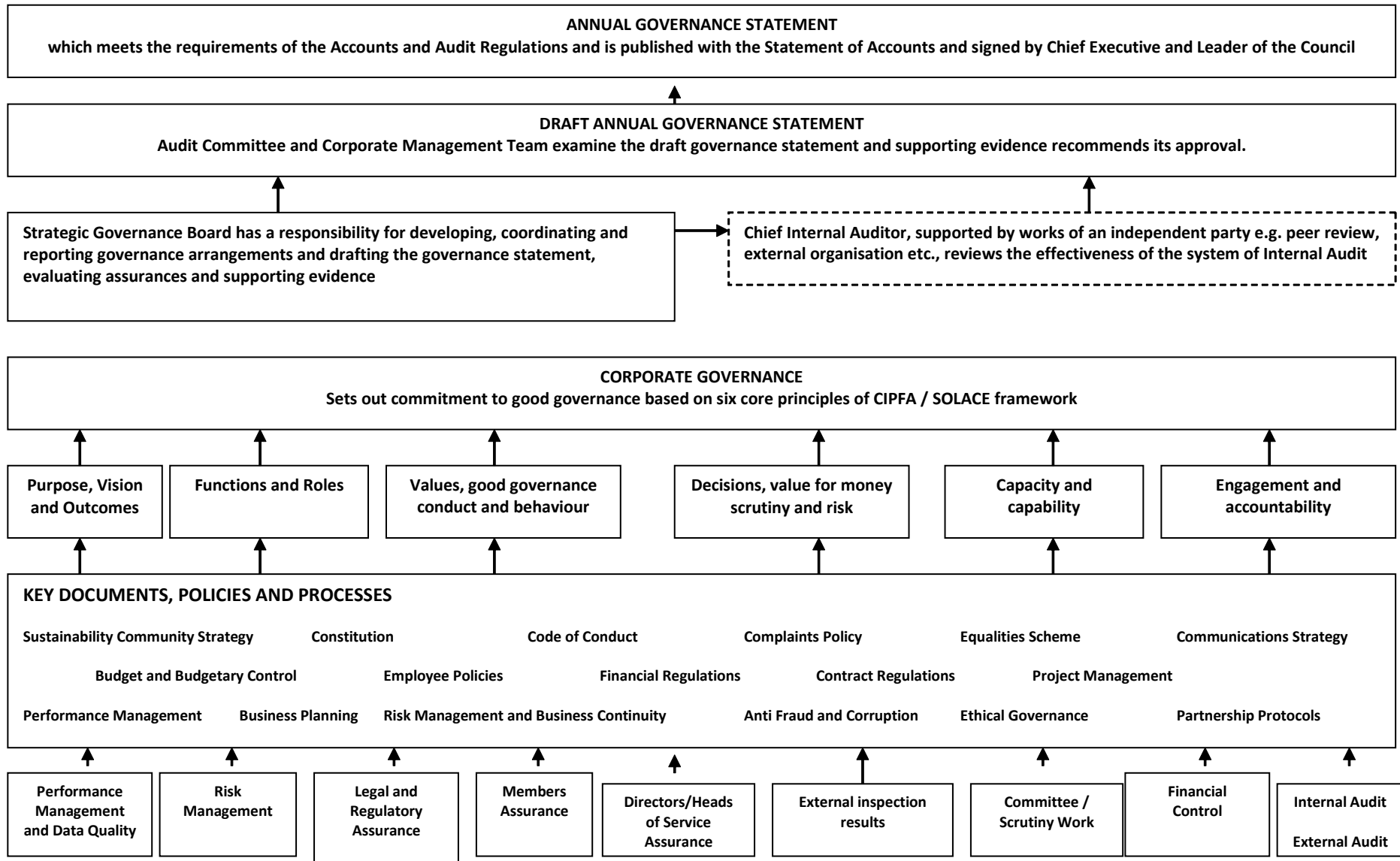
- Delivering Good Governance in Local Government – The Framework and Guidance Note for English Authorities – CIPFA / SOLACE.
- The CIPFA Finance Advisory Network – A Rough Guide for Practitioners 2007 / 2008.
- Accounts and Audit (England) Regulations 2011

12. APPENDICES

- Appendix A: Framework for the Annual Governance Statement
- Appendix B: Draft Annual Governance Statement

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PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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PETERBOROUGH



CITY COUNCIL

Annual Governance Statement – 2014 / 2015

Annual Governance Statement

Scope of Responsibility

Peterborough City 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 used economically, efficiently and effectively. 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.

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

The Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 Regulation 4(3) in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. 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 of and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

We have had the governance framework in place from 1 April 2014, and up to the date we approved the Statement of Accounts.

The Governance Framework

The Council is a complex organisation with an appropriately comprehensive governance framework. It works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from six core principles identified in the Independent Commission on Good Governance in Public Services 2004 publication entitled *The Good Governance Standard for Public Services*. These principles were adapted for application to local authorities and published in 2007. The six core principles state that good governance means:

- Focusing on the purpose of the Authority and on outcomes for citizens and service users;
- Performing effectively in clearly defined functions and roles;
- Promoting values for the whole organisation and demonstrating good governance through behaviour;
- Taking informed, transparent decisions and managing risk;
- Developing the capacity and capability of the governing body to be effective; and
- Engaging stakeholders and making accountability real.

The following paragraphs summarise the Council's Governance Framework which has been in place for the year ended 31 March 2015 and up to the date of approval of this Statement and the Statement of Accounts.

The key elements of each of these core principles are as follows:

Creating and Implementing a Vision

Good governance means focusing on the purpose of the Council, on outcomes for the community and creating and implementing a vision for the local area. Through various forums, the Council has developed an overarching vision for the City and a set of strategic priorities and core values to assist in achieving this.

The Vision

Members, working with officers, and its partners – whether public, private, voluntary or community – have developed a clear vision of their purpose and intended outcomes for citizens and service users. The Peterborough Sustainable Community Strategy (SCS) 2008 –

2021 sets out the vision for the Council (and refreshed in 2010) to ensure it continues to reflect the communities needs and changing circumstances. These are:

- *A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth...*
 - *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings;*
 - *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*

Strategic Priorities

In order to achieve the vision, four priorities have been established and these are then set out in a Single Delivery Plan detailing accountability and resources allocations across the partnership. Providing value for money underpins the four priorities. The four priorities are:

- *Creating the UK's Environment Capital*
- *Creating Strong and Supportive Communities*
- *Delivering Substantial and Truly Sustainable Growth*
- *Creating Opportunities – Tackling Equalities*

By striving to deliver these priorities, the outcomes expected are:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned;

- Improving educational attainment and skills for all of our children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city;
- Safeguarding children and vulnerable adults;
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the carbon footprint;
- Supporting Peterborough's Culture Trust, Vivacity, to continue to deliver arts and culture in the city;
- Keeping our communities safe and cohesive; and
- To achieve the best health and wellbeing for the city.

Core Values

Five core values have been established to guide the way we treat our customers, partners and each other, these being:

- *Expertise:* We recognise and value the differences, skills, knowledge and experience of all our colleagues;
- *Trust:* We are honest and open in all our dealings and deliver on our promises;
- *Initiative:* We are proactive and use our creativity to identify and resolve problems;
- *Customer focussed:* We understand and aim to meet our customers diverse needs, treating them fairly and with respect; and
- *Work together / one team:* We work with colleagues and partners to deliver the best services possible.

Reviewing Delivery against our Vision

The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; and consultation with stakeholders, including residents, businesses and partner organisations. Any changes made are cascaded through the organisation to inform and amend departmental delivery and business arrangements.

The Council and neighbouring authorities, and their business, higher / further education and VCS partners have developed a Local Enterprise Partnership (LEP) to provide strategic leadership and joint working in areas such as housing, transport infrastructure, employment and enterprise.

Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintaining appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via its Corporate Management Team (CMT).

When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning these that is understood and agreed by all partners. These partnerships range from strategic to operational.

A Medium Term Financial Strategy (MTFS) has been established to ensure that resources are aligned to priorities and approved annually, the latest being in March 2015. The budget process incorporates consideration of the allocation of resources against corporate aims, an identification of any financial risks together with allowing for an annual strategic review to release resources for use elsewhere subject to appropriate efficiency improvements being in place. Monitoring reports are submitted to CMT and Cabinet and issues are referred to other Committees as appropriate.

Value for money underpins the strategic priorities. Through reviews by External Audit, external agencies, Internal Audit, and other internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which functions are exercised.

The Council has a comprehensive comments, compliments and complaints scheme. This is used to identify areas where service quality is not satisfactory and to take action to improve. A revised complaints scheme has been piloted in 2014 and will be implemented in 2015. As an organisation, the Council is committed to meeting the service needs of a very diverse community and meet the "*Equality Framework for Local Government*".

Roles and Responsibilities of Members and Officers

Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions are clear.

- The Council is governed by a Constitution which sets out the main control mechanisms and uses the Cabinet model for decisions. This is made up 11 Members: - Leader, 8 Cabinet Members and 2 Cabinet Advisors. Cabinet business is governed by written procedures and principles contained in the Executive Decisions within the Constitution. Individual Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.

- As well as Cabinet, other Committees are in place to cover the functions of Scrutiny and Regulatory Committees.
 - Scrutiny: These can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. Although they have no decision making powers, they are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented.
 - Regulatory: These consider a variety of non-executive functions which Cabinet, by law, cannot undertake or has been agreed should not be considered by Cabinet, for example, Licensing. They are all cross-party and with the exception of Audit Committee, can include cabinet members.
- An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. It also incorporates Member conduct, replacing the previous Standards Committee.
- The Council's Constitution contains a Code of Conduct for Councillors, protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations. It also details each Committees clear terms of reference and work programmes to set out their roles and responsibilities.
- Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan. This allows

stakeholders to be aware of decisions to be taken and secondly to whom representations can be made. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.

- Changes to services provided and new legislation during the year was integrated into the ongoing management of the Council.
- The Council ensures that effective management arrangements are in place at the top of the organisation. A revised structure has been introduced to reflect the new commissioning role to deliver services.
- Key officers within the Council are:
 - The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs CMT;
 - The Corporate Director (Resources) as the s.151 Officer appointed under the 1972 Local Government Act carries overall responsibility for the financial administration of the City Council. They are also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control; and
 - The Director of Governance, as Monitoring Officer, carries overall responsibility for legal compliance and the maintenance of high standards of conduct by providing advice and support to Members and Officers.
- Regular CMT meetings are held. Corporate Directors meet their respective Cabinet Members on a regular basis. In addition, there are a number of officer working groups who meet to deal with a range of specific service as well as cross cutting issues.

- All staff, including senior management, have conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the harmonisation agreement implemented in 2008, and are regularly refreshed and amended following consultation with Unions. The terms and conditions of members are set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme is approved by Council following preparation and review by an independent Panel at least annually.
- The council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- The Director of Governance, after consultation with the Chief Executive and Corporate Director (Resources) can report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports were produced in 2014 / 2015.
- The Council has adopted a number of codes and protocols that govern both Member and officer activities defining the standards of behaviour – such as Members Code of Conduct; Officers' Code of Conduct; Member / Officer Protocol; Planning Code of

Conduct; Member declarations of interest; Gifts and Hospitality and Grievance procedures.

- The Council takes fraud, corruption and maladministration seriously. Policies which aim to prevent or deal with such occurrences include the Anti-Fraud and Corruption Policy and Fraud Response Plan; Confidential Reporting Code (Whistleblowing Policy); and Human Resources policies regarding disciplinary of staff involved in such incidents. Fraud policies are scheduled for review during 2015 to reflect the new CIPFA Code of Practice on “*Managing the Risk of Fraud and Corruption*”.
- We have an Audit Committee which follows best practice set out within CIPFA guidance. Its purpose is to provide independent assurance of the adequacy of the internal control environment and to oversee the financial reporting process. Its membership of 9 Councillors also has the responsibility for the standards agenda so that it has the full remit of responsibilities in respect of governance. For standards related issues, the Council has also appointed an ‘Independent Person’ to oversee these.
- Corporate Complaints procedures enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
- The Council's financial management is conducted in accordance with the financial rules set out in the Constitution, the Budget Framework, Financial Regulations, Contract Regulations and Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place. Furthermore, the arrangements conform to governance requirements set out in the CIPFA “*Statement on the Role of the Chief Financial Officer*

in Local Government (2010)”. The Council is complying with minimum requirements of the Code of Recommended Practice for Local Authorities on data transparency, such as disclosing Executive salaries and £500 spending transactions.

- Full Council approves a balanced budget before the start of each financial year. This includes the MTFs, annually reviewed, under which it plans its finances, target efficiency savings required and potential council tax implications over a ten year rolling period. During the year, budget monitoring reports are taken to Management Teams and Members on a regular basis.

Decision Making, Scrutiny and Risk

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible for all Executive Decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan in so far as they can be anticipated. This is reviewed at each Cabinet Meeting.
- Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.
- Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and

enhances the Authority's performance overall. Scrutiny Committees have power to review the decisions of Cabinet and Cabinet Members, through the "call-in" process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.

- The Council's Internal Audit service operates in line with appropriate regulations. Responsibility for Internal Audit rests with the Chief Internal Auditor who supports the Audit Committee and reviews its effectiveness annually in line with best practice. The Internal Audit plan is based on the high risks reported within the risk registers together with key service changes being made. The Constitution makes it clear that management have the responsibility for operation a sound system of internal control. Internal Audit works with services to make recommendations around improvements to the control environment. Reporting lines are within the Resources Directorate, with reporting lines to the Service Director (Financial Services), Corporate Director (Resources) as well as access to the Chief Executive, Director of Governance and members as required. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members (through the Audit Committee), the Chief Executive, Corporate Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. The Council undertook a review of its risk management approach in 2012 and one again in March 2015. Regular updates are provided to Audit Committee on its delivery and the risk appetite of the Council.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the Council achieves this:

- The Councils structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises value of well trained and competent people in effective service delivery. The council has maintained its Investors in People award. In developing Members' skills, the Council has an overall development strategy in place.
- Audit Committee focus is on key governance issues such as risk management and internal control, together with scrutiny arrangements for the accounts. Individual briefings are enhanced by an Audit Committee Handbook.
- The Council also provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. All new and transferring employees will receive an induction. In addition, key messages are given to all: such as freedom of information and data security, procurement and financial regulations. E-learning tool-kits have been set up to enhance on the job training.
- All officers have comprehensive job descriptions and person specifications and the Council has a process in place to review

performance for all staff. Where capability issues are identified, appropriate processes are in place to try to resolve these.

- As the needs of councils become more and more stretched by finite resources, alternative service delivery methods have been explored. This has led to a number of services being provided in partnership with the private sector. In addition, there has been a development of shared service arrangements with other councils, with Peterborough being the lead authority. Examples include arrangements with Rutland; Fenland; and Cambridge City and South Cambridgeshire.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of their views.
- Every year we carry out many consultation exercises. Arrangements are in place to enable engagement with all sections of the community. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. These have included Focus groups (face to face and on-line); Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, surveys, press

releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.

- The Council has a number of significant partnerships, outsourced contracts and service vehicles. These are:
 - Greater Peterborough Partnership – our local strategic partnership;
 - Peterborough Culture and Leisure Trust (Vivacity);
 - Opportunity Peterborough;
 - Amey - An outsourced partnership for the provision of street scene activities previously undertaken by City Services;
 - Skanska – Provision of Highways Maintenance service;
 - SERCO – Provision of Council back office facilities, including revenues and benefits and ICT services; and
 - Health and Well Being Board – established to provide a strategic leadership forum focussed on securing and improving the health and well being of Peterborough residents
 - Peterborough Investment Partnership – a Joint Venture partnership to support growth and development of key sites
 - Blue Sky Peterborough – the Council's energy services company

Review of Effectiveness

The Council reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors, and also by comments made by the external auditors and other inspection agencies.

In year review mechanisms, including Member engagement is ensured by:

- Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues;
 - There is a scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
 - Audit Committee meet throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and the annual statement of accounts. It now has the combined remit to oversee Member conduct.
 - Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion of the internal control, risk management and governance arrangements. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Corporate Director (Resources), Leader of the Council and the Chair of the Audit Committee. Management of the Internal Audit function conforms to the principles contained in CIPFA's "*Statement on the Role of the Head of Internal Audit in Local Government (2010)*" and the "*Public Sector Internal Audit Standards (2013)*".
- Following the transfer of housing benefit investigations to the Single Fraud Investigation Service within the Department for Work and Pensions, the remaining investigations service transferred into Internal Audit in December 2014. Their remit is to undertake investigations into corporate fraud, corporate complaints and council tax as well as anomalies generated by the National Fraud Initiative.
 - Risk management is handled through a range of mechanisms. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the MTFS and other Council operations as an inherent part of normal procedure.
 - Work undertaken as part of the Strategic Governance Board. Made up of senior officers from across the Council and members, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
 - A number of areas were identified in the proceeding Annual Governance Statement and an update has been included on our progress to improve governance regarding these issues.
 - Assurance from the Audit Commission, other Inspection Agencies and External Audit. On completion of their work, an

Annual Audit Letter is issued to the Council. The last Annual Audit Letter was issued for the financial year 2013 / 2014, and was discussed and endorsed at meetings of the Cabinet and Audit Committee with an unqualified audit opinion on the financial statements.

The year-end review of the governance arrangements and the control environment included:

- The Chief Internal Auditors' annual opinion on the status of the Council in terms of the governance and overall controls. For this year he has provided an unqualified opinion.
- Assurance from Corporate Directors and their management teams on the key elements of the control framework were in place in their departments. The statement itself has been circulated to all Directors for consideration and is supported by them as an accurate reflection on the governance arrangements in place for the year.

Significant Governance Issues

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. For each issue, detailed action plans have been determined, a responsible officer identified and a summary of the key elements are included in the table overleaf.

2012/2013 Governance Issues: Progress to Date	
Issue	Progress
<p>Information Governance</p> <p>The Council needs to demonstrate that arrangements are in place for the security of information when it is taken out of the workplace, either on portable devices or where systems are accessed remotely via mobile or home based working or manual information</p> <p>Lead Officer: Director of Governance</p>	<p>A separate Information Governance Working Group oversees the development and compliance across the Council.</p> <p>Strong processes in place for managing data security have been adopted and the any breaches are reported and reviewed.</p> <p>The Council has embraced the Transparency Code and published data as required.</p>
<p>Commissioning and Partnerships</p> <p>Commissioning and partnerships with other local authorities and sectors are used as vehicles for delivering public services. These create special challenges for clear accountability and good governance. Shared services between organisations can bring substantial benefits, including cost savings for the parties involved, although at the same time there are distinct issues surrounding what happens if something goes wrong. There is a need to ensure that clear governance is established.</p> <p>Lead Officer: Chief Executive</p>	<p>During 2013 a new senior management structure was implemented to tackle the ever developing commissioning role and is now embedded and working effectively.</p>

2013/2014 Governance Issues: Progress to Date	
Issue	Progress
<p>ORGANISATIONAL CHANGE Embedding the new management structure and ensuring that appropriate controls and segregations are maintained. (This will also encompass the Commissioning and Partnerships from the previous year).</p> <p>Lead Officer: Chief Executive</p>	Revised structures have been adopted and implemented smoothly.
<p>FINANCIAL AFFAIRS Ongoing delivery of the financial strategy and mechanisms to ensure that the necessary financial savings are achieved and more efficient processes are introduced at reduced cost.</p> <p>Lead Officer: Corporate Director (Resources)</p>	Ongoing austerity measures have led to significant changes in the way services are provided with large scale savings required to offset budget reductions. Nevertheless, a balanced budget has been produced each year.
<p>PURCHASING Procurement reform arising from new EU Procurement Directives</p> <p>Lead Officer: Corporate Director (Resources)</p>	Changes have been incorporated into our procurement procedures and processes.
<p>IT INFRASTRUCTURE Continued compliance with the Public Services Network code of connection requirements</p> <p>Lead Officer: Corporate Director (Resources)</p>	SERCO deliver ongoing compliance on the Councils behalf. Regular reviews are undertaken to ensure this remains in place.
<p>LEGISLATIVE CHANGE Responding to the impact of further Welfare Reform changes</p> <p>Lead Officer: Corporate Director (Resources)</p>	Ongoing requirement to meet the legislative changes. Separate reports have been produced for committees setting out the impact.
<p>INFORMATION SECURITY AND DATA GOVERNANCE The Council handles a significant volume of data and information relating to residents, customers and service users. There are governance / security arrangements in place to help</p>	This is delivered through the Information Governance Working Group and regular briefings are produced and

2013/2014 Governance Issues: Progress to Date

Issue	Progress
safeguard data but these can be vulnerable. To strengthen existing governance arrangements a programme of mandatory information security training for all existing and future core staff, more stringent controls over fax machines, methods of postage and email groupings. (This incorporates elements of the issues previously identified and rolling forward). Lead Officer: Director of Governance	circulated to staff.

2014 / 2015 Governance Issues:

Two governance issues which have rolled forward are Information Governance; and Commissioning and partnerships. These have been incorporated into the following areas which will need to be resolved during the year:

New Governance Issue	
Issue	Lead Officer
<p>Counter Fraud Arrangements</p> <p>In December 2014, responsibility for Housing Benefit fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Works and Pensions and fraud investigation resources have since been realigned. Following these changes our approach to counter-fraud should be aligned with the new CIPFA Code of Practice on “Managing the Risk of Fraud and Corruption”.</p>	Corporate Director (Resources)
<p>Management of the Better Care Fund</p> <p>Planning and pooled budget arrangement with the Clinical Commissioning Groups (CCGs) known as the Better Care Fund (BCF). This plan sets out the Council's and CCGs' vision to deliver integrated health and social care systems to reduce demand on acute hospital and care home provision in favour of a sustainable integrated neighbourhood health and social care system.</p>	Corporate Director (People and Communities)
<p>Austerity Measures</p> <p>Continuing budget pressures need to be effectively managed in order to deliver a balanced budget while maintaining an effective delivery of services to the public</p>	Corporate Director (Resources)
<p>Review of Ward Boundaries</p> <p>The Council has been subject to review by the Electoral Commission and new arrangements will be in place for 2016. Effective management is required to ensure that the processes deliver and inform the public of the changes and how it impacts on them.</p>	Director of Governance
<p>Service Delivery Models</p> <p>As part of the ongoing delivery of savings and innovative ways of service delivery, appropriate governance arrangements are required to prevent any conflicts of issues as staff undertake more roles and have dual reporting commitments</p>	Corporate Director (Resources) Director of Governance

Certification

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

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

Signed:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor Holdich, Leader of the Council

Date:

AUDIT COMMITTEE	AGENDA ITEM No. 12
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

FEEDBACK REPORT

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. APPENDICES

Appendix A – Summary of Feedback Responses
Appendix B – Feedback Response Report

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2014 - APRIL 2015

DATE ISSUE RAISED	AGENDA ITEM / ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	SIGN OFF DATE
16 March 2015	Audit Committee to receive an update as to what rights the Council has to audit or intervene in the financial management at Free Schools or Academies.	Service Director Financial Services to request from Service Director Education, People Resources & Corporate Property	Response provided in appendix B.	25 March 2015
16 March 2015	Audit Committee to receive further information with regards to the comparisons between Free Schools and Academies and their rules around school admissions policy	Service Director Financial Services to request from Service Director Education, People Resources & Corporate Property	Response provided in appendix B.	25 March 2015
16 March 2015	To provide a report to Audit Committee on the Business Continuity plans in place by Council partners, which should also include what reassurances were provided in regards to the appropriate level of resilience in order to undertake Council business; and	Head of Resilience	During the procurement process checks should be undertaken to ensure the bidding companies have adequate business continuity arrangements in place. Once a company has been appointed copies of their Business Continuity Plans would be requested by the Resilience Service on an annual basis to ensure they link in with the Corporate and individual service business continuity plans.	24 March 2015

	RECOMMENDATION That the Risk Register should be presented to Audit Committee annually without exception.	Head of Resilience/Corporate Management Team	The risk register is required to be reviewed by CMT on a quarterly basis, therefore the recommendation can be achieved.	
16 March 2015	To update the Internal Audit Plan to remove any number alignment in regards to the Strategic Priorities referenced.	Chief Internal Auditor	Completed	25 March 2015
16 March 2015	That the responsibility of the Code of Conduct template review would transfer to a group to consist of Councillors Lamb, Lane and Sandford.	Director of Governance	TBA	
16 March 2015	To include a standing item on future agendas of Audit Committee in order to receive information on the number of write offs over the value of £10,000, in line with the limits in the constitution.	Service Director Financial Services/Director of Governance	Completed	10 June 2015

APPENDIX B - RESPONSE TO ACTION POINTS

AUDIT COMMITTEE	
29 JUNE 2015	PUBLIC

1. External Audit: Draft Audit Plan 2014 / 2015
2. Risk Management: Strategic Risks

ACTION – 16 March 2015	
<ol style="list-style-type: none"> 1. Audit Committee to receive an update as to what rights the Council has to audit or intervene in the financial management at Free Schools or Academies. 2. Audit Committee to receive further information with regards to the comparisons between Free Schools and Academies and their rules around school admissions policy. 	
Contact Officer (s)	Jonathan Lewis – 01733 863912 Email: jonathan.lewis@peterborough.gov.uk
Response:	
1	Council’s Right of Intervention of Financial Management at Free Schools or Academies
1.1	The Local Authority (LA) has no rights to audit or intervene in the financial management of free Schools or Academies. The Council does however, have good co-operation from the financial leads in these schools in the City by attending the schools finance manager / bursars group, where good financial management practices are discussed. Where the LA has concerns over financial management, these can be raised directly with the Education Funding Agency (who have direct financial responsibility). Academies and Free Schools are required to publish accounts and the Council does monitor these from a perspective of understanding the schools capacity and the quality of their leadership – this helps inform the Council’s judgement for school improvement. In response to national concerns around financial management in academies, the Council have decided as a Local Authority, to issue Peterborough schools with a gifts and hospitality policy, which schools can tailor for their position. A copy of the G&H Policy can be found at Appendix C. The Policy has been adopted by many of the Academies in the City following the high profile issues at Sawtry Village College.
2	Free Schools and Academies School Admissions Policy
2.1	The new schools network, which is attached at Appendix D, outlines the key differences between the various types of schools. Admissions for all schools are governed by the admissions code of practice which is legislative and

	<p>owned by the Department for Education. Academies and Free Schools are required to meet these requirements. The Council monitors their admission arrangements closely and all work as part of the Council's co-ordinated admissions system. To strengthen the Council's challenge in this area, there was a re-established admissions forum implemented (no longer a statutory requirement) to support monitoring admissions, which includes academy representatives.</p>
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Peterborough **Gifts and Hospitality Model Policy**

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Key Points

- Official or unofficial funds must not be used for the purchase of gifts for staff
- Official or unofficial funds must not be used for providing hospitality or meals to staff.
- Modest refreshments for use by school visitors is permitted and may be paid for from the school budget.
- It is acceptable to provide sandwiches or a finger buffet and non alcoholic drinks to visitors to the school if meetings extend into the lunch period.
- Expenditure on hospitality beyond light refreshments for visitors to the City must be approved by the Governing Body.
- Under no circumstances should alcohol be purchased using official or unofficial funds.
- The purchase of food or beverages for school staff and/or their families at hotels and restaurants is not permitted.
- Refreshments and a light meal in school for staff training days is acceptable but should be provided by the school kitchen. Alternative arrangements will require governing body approval.
- Staff attending residential training courses are responsible for any personal expenditure incurred such as newspapers, mini bar, private telephone calls etc.
- The acceptance of any gift and/or hospitality may be regarded by a third party as compromising the integrity of an individual.
- If in doubt, the offer of gifts or hospitality should be declined in a polite manner.
- Staff with financial responsibilities should lead by example and uphold high standards of integrity.
- Offers of gifts and hospitality made by a person or organization seeking to do business with the school should be handled with extreme caution and the advice of the head teacher or the chair of governors should be sought.
- A modest gift of a promotional nature is deemed to be acceptable.
- A working lunch of a modest standard may be acceptable but caution is needed if such lunches are taken with the same company on a frequent basis.
- Hospitality in the form of holidays, tickets for entertainment events and use of company suites and hospitality boxes is not acceptable.
- All gifts and hospitality should be recorded in the Schools Gifts and Hospitality Register within 7 days of receipt.
- If schools are in doubt over the offer of gifts and hospitality advice from the Directorate should be sought as corruption and bribery are deemed to be criminal offences.
- The Gifts and Hospitality Register should be held and maintained by a nominated officer in school.
- The provision of gifts or rewards to an employee may create some form of liability for income tax and national insurance contributions.
- Some gifts may fall under the heading of 'Trivial Gifts'.

Purpose

- 1.1 All schools are required to have a gifts & hospitality policy. The purpose of this guidance note is to provide schools with a model policy it can adopt.

Official and Unofficial Funds

- 2.1 Official funds are defined as any fund, provided by the Local Authority or other body to meet the Local Authority requirements to provide education. Examples of such funds include:

- School Budget Share (Schools Block DSG)
- Pupil Premium Funding
- Educational Visits
- Music Tuition

Official funds may also include other monies received by schools for specific projects which are required, as conditions of the funds, to be dealt with through the school's official accounting system.

- 2.2 Unofficial funds are defined as funds operated, wholly or in part, by any employee of the school because of his/her employment, for which the Local Authority does not have a statutory requirement to provide the resources for which the fund is being used. Examples of such funds include:

- School Funds
- Tuck Funds
- Vending Machine Funds
- PTA Funds

Gifts and Hospitality Given

- 3.1 Official or unofficial funds must not be used for buying gifts for school staff or other people who may assist the school in a voluntary capacity.
- 3.2 Official or unofficial funds should not be used for providing hospitality or meals for staff. All staff in school must provide their own refreshments and official or unofficial funds must not be used to pay for personal consumption. The only exemption to this is where a member of staff is undertaking lunch time supervision duties
- 3.3 A pool of refreshments such as tea, coffee, milk and sugar for consumption by visitors to the school is permitted and the purchase of these items can be made through the school budget. Schools are advised to account for 'Hospitality' in their financial package so that there is a clear audit trail for expenditure of this type. A pool of refreshments such as tea, coffee, milk and sugar for consumption by staff is also permitted subject to budget constraints and specific approval from the governing body.

- 3.4 If meetings with visitors to the school extend through the lunch period it is usually acceptable to provide sandwiches or a finger buffet and non alcoholic drinks, all of which may be purchased through the school budget.
- 3.5 There may be occasions when more than light refreshments are required to entertain visitors to the City. Expenditure of this nature should be agreed, in advance, with the Governing Body and setting out the reasons for granting approval.
- 3.6 Under no circumstances should alcohol be purchased using official or unofficial funds
- 3.7 Official or unofficial funds must not be used for the purchase of food or beverages at restaurants or hotels for school staff and/or their families
- 3.8 It may be reasonable to provide refreshments and a light meal on school premises at staff training days or as part of a development activity. Food for such occasions is usually provided via the school kitchen but should this be unavailable alternative arrangements can be made but will require Governing Body approval.
- 3.9 Where school staff are on residential training courses, personal expenditure incurred during an overnight stay such as mini bar, newspapers, private telephone calls etc it is the responsibility of the individual employee and this must be paid for in full before leaving the hotel/venue.

Gifts and Hospitality Received

- 3.10 School staff should consider if the acceptance of any gift and/or hospitality could be regarded by a third party as compromising or likely to compromise the impartiality or integrity of a public servant.
- 3.11 If in doubt, the offer should be declined in a polite manner so as not to offend the giver of the gift and/or hospitality and so that they understand there are high corporate and ethical standards to be maintained
- 3.12 During the course of undertaking their duties it is inevitable that school staff will be offered some gifts and/or hospitality at some point and in particular this may apply to staff with financial responsibility – Head Teachers, Bursars, Business Managers, Budget Holders etc. Accordingly all such staff should lead by example and uphold high standards of integrity.
- 3.13 Where any gift and/or hospitality is offered by a person or organisation seeking to do business with the school, particularly where the offer is made to an individual member of staff, it is necessary to exercise extreme caution. The expectation is that as a minimum the individual should consult either the Head Teacher or in the case of the offer being made to the Head Teacher, the Chair of Governors.
- 3.14 A 'trivial gift' ([see point 6.4](#)) or modest gift of a promotional nature given to a wide range of people and not uniquely to one individual may be deemed as acceptable. Such gifts may include calendars, diaries, pens or other small

items and in such cases do not need prior approval for acceptance and do not need to be recorded in the Gifts and Hospitality Register ([See point 4](#))

- 3.15 Hospitality is sometimes offered to representatives of schools and in such cases extreme caution is needed particularly where the host is seeking to do business with the school to obtain a decision from it. It is important to avoid any suggestion of improper influence.
- 3.16 A working lunch of a modest standard may be acceptable to allow parties to continue a business discussion but extreme caution is needed if any such working lunches are taken with the same company on a frequent basis. Any such hospitality should be recorded in the Gifts and Hospitality Register ([See point 4](#))
- 3.17 It is not acceptable to receive hospitality in the form of holidays or weekends away, tickets to theatres or other entertainment events or the use of company flats, hotel suites or hospitality boxes at sporting and other events.
- 3.18 If any gift and/or hospitality are accepted they must be recorded, within 7 days of the offer of the gift and/or hospitality being made, within the schools Register of Gifts and Hospitality ([See Appendix A](#)). This Register should be presented to the Governing Body on a termly basis. Failure to record the receipt of any gifts or hospitality will be deemed as a disciplinary matter.
- 3.19 Please note that where hospitality is provided at an official function of the local authority there will be no need to declare it within the Gifts and Hospitality Register.
- 3.20 If schools are in any doubt over any gift or offer of hospitality they should seek appropriate advice from the local authority. Corruption and bribery are criminal offences and the local authority will not hesitate to refer such issues to the police for prosecution.

Gifts and Hospitality Register

- 3.21 High ethical standards, along with open and transparent arrangements, are essential to ensure integrity of all staff employed by the school. Accordingly gifts and/or hospitality must be discussed with the Head Teacher or the Chair of Governors and if a decision to accept is taken, the details should be recorded in the Gifts and Hospitality Register.
- 5.2 The Gifts and Hospitality Register should be held and maintained by a nominated officer within the school and should be freely available for inspection by governors, staff, parents and Local Authority representatives.

Liability for Income Tax and National Insurance Contributions

- 6.1 In theory, the provision of any gift or reward to an employee may create some form of liability for the employee.
- 6.2 ALL gifts in the form of money or 'cash vouchers' (vouchers which can be exchanged for cash e.g. premium bonds or savings stamps) are subject to deductions of Income Tax and National Insurance Contributions.

6.3 'Non Cash Vouchers' (vouchers redeemable for goods and services must be reported on Forms P11D and are also liable to National Insurance Contributions. P11D Forms are completed by the Local Authority based on information provided by schools on the Annual Return for the Provision of Gifts and Rewards for Employees. [\(See Appendix B\)](#)

6.4 Her Majesty's Revenue and Customs (formerly the Inland Revenue) acknowledge that some gifts may fall under the heading 'Trivial Gifts'. There is no legal definition of a trivial gift but some examples may include:

- Seasonal gifts such as a small box of chocolates or bottle of wine
- A diary or a key ring

Schools providing gifts/rewards to employees are advised to apply caution as there may be a tax liability to the employee. If in doubt schools should seek advice from the Payroll and Pensions Office.

Approved by the Full governing Body on

Appendix A

REGISTER OF GIFTS AND/OR HOSPITALITY

SCHOOL: _____

Please use this sheet to record **any** gift or hospitality received from dd/mm/yyyy

Date upon which the Gift and/or Hospitality was offered / received	Person / Organisation offering or providing the Gift and/or Hospitality	Brief details of Gift and/or Hospitality offered / received	Estimated or actual value of the Gift and/or Hospitality	Any reasons for accepting the Gift and/or Hospitality

219

Name of person: **Date placed on Register**

Appendix B

PETERBOROUGH CITY COUNCIL

SCHOOLS' ANNUAL RETURN FOR HM REVENUE & CUSTOMS
PROVISION OF GIFTS AND REWARDS FOR EMPLOYEES

SCHOOL:

RETURN FOR TAX YEAR:

During the tax year shown above, the following employees were provided with gifts and/or rewards, the details of which are set out below:

Name of Employee	National Insurance Number	Pay Reference	Date Gift / Reward Provided	Details of Gift / Reward Provided	Value of Gift / Reward Provided

Completed forms should be returned to Schools & Settings Finance Team **by no later than 31st April.**

Signed: Designation: Date:

Comparison of different types of school

A guide to schools in England

January 2015



Growing schools
advice | support | ideas



Introduction

There are an increasing number of different types of school in England, and it can be difficult to distinguish between them. The New Schools Network is an organisation geared towards helping you set up a free school, but what separates free schools from academies and maintained schools?

This document is designed to help you distinguish between the different kinds of schools in England. The first section provides a brief outline of academies (of which free schools are a type), maintained schools, and other types of school. The second section goes into further detail, comparing these different categories of schools in such areas as curriculum, personnel management, admissions and finance.

Outline of different school types

Academies

While there are different types of academies in operation in England, they all have the same status in law as ‘academies’. Academies are publically funded, independent schools, held accountable through a legally binding ‘funding agreement’. These schools have more freedom and control over curriculum design, school hours and term dates, and staff pay and conditions.

Free schools, academy converters and traditional academies all have this status, yet there are a number of differences between them. This is focused on:

- Who sets them up;
- Why they are set up;
- Whether there is a predecessor school; and
- What the ‘provider’ has to demonstrate in order to be given permission to set one up.

Free Schools

- **What are they?** New state schools (which includes independent schools becoming state schools for the first time).

Who sets them up? Teachers, parents, existing schools, educational charities, universities, community groups. In order to do so, the group must form a company limited by guarantee and choose members and directors to run it. Free school companies must use the DfE model memorandum and articles of association, meaning that once constituted the company will be an academy trust.

- **How are they run?** Free schools are independent, free from local authority control. They are held accountable through a ‘funding agreement’ - a contract with the Government.
- **How do they get permission?** Free schools must submit an application to the Department for Education. They must demonstrate that there is a clear demand for that type of school from the parents in the area.

Traditional academies

- **What are they?** Usually, they are underperforming existing schools which are allocated to an academy sponsor who will take them over.
- **Who sets them up?** Academy sponsors can be universities, FE colleges, education charities and business sponsors.
- **How are they run?** Traditional academies are independent, free from local authority control. They are held accountable through a ‘funding agreement’ - a contract with the Government.
- **How do they get permission?** The Department for Education ‘brokers’ between academy providers and the underperforming schools.

Academy converters

- **What are they?** Usually, they are high performing schools already in existence, who opt out of Local Authority control to gain independence and autonomy.
- **Who sets them up?** They are existing state schools.
- **How are they run?** The school governing body signs a funding agreement with the Government and are independent from the Local Authority.

- **How do they get permission?** Outstanding schools apply to the Department for Education for approval.

Maintained schools

While the number of academies in England is expanding, the majority of state schools are maintained schools. This means they are overseen, or ‘maintained’, by the Local Authority. These schools must follow the national curriculum and national teacher pay and conditions.

There are four main types of maintained schools. Their differences are over:

- Who employs the staff;
- Who owns the land and buildings; and
- Who controls the admissions arrangements.

Community schools

- **What are they?** Schools which are controlled and run by the Local Authority.
- **How are they run?** The Local Authority employs the staff, owns the land and buildings and determines the admissions arrangements.

Foundation and trust schools

- **What are they?** Schools run by their governing body.
- **How are they run?** The governing body employs the staff and sets its own admissions criteria. The land and buildings are usually owned by the governing body or, in trust schools, a charity.

Voluntary Aided schools (VA schools)

- **What are they?** The majority of voluntary aided schools are faith schools. A foundation or trust (usually a religious organisation) inputs a small proportion of the capital costs for the school and forms a majority on the schools governing body.
- **How are they run?** The governing body employs the staff and sets admissions criteria. The land and buildings are usually owned by the religious organisation.

Voluntary Controlled schools (VC schools)

- **What are they?** VC schools are like VA schools, but are run by the local authority.
- **How are they run?** The local authority employs the staff and sets admissions. The foundation or trust (usually a religious organisation) owns the land and buildings, and usually forms a quarter of the governing body.

Other types of school

While academies and maintained schools form the majority of schools in England, there are two other types of school that are different from the ones already discussed.

They are different from academies and maintained schools because of:

- How they are funded; and
- How they can select their pupils.

Grammar schools

- **What are they?** State funded schools which select their pupils on the basis of academic ability. Grammar schools can also be maintained schools.

Independent schools

- **What are they?** Schools that charge fees to attend, rather than being funded by the government, and can make a profit. They are governed and operated by the school itself. They are lightly regulated by government and inspected by a range of bodies.
- **Who sets them up?** Independent schools vary from those set up by foundations in the middle-ages to those founded by new companies and charities.
- **How are they run?** They are funded by fees, gifts and endowments and are governed by an independently elected board of governors.

Differences between school types

Between these school types there many detailed differences between free schools and academies and the maintained sector.

These centre around:

- The curriculum;
- The students;
- Finance;
- Personnel management;
- Governance; and
- Accountability.

These differences are discussed in more detail in the table below.

	Free Schools	Academies	Maintained	Independent
Curriculum				
Content	Exempt from following National Curriculum. Must teach certain subjects including maths, English and science. Must be 'broad and balanced' in curriculum.	Exempt from following National Curriculum Must teach certain subjects including maths, English and science. Must be 'broad and balanced' in curriculum.	Must follow National Curriculum Can focus on specific subjects as long as National Curriculum requirements are still met.	Exempt from following National Curriculum. Must give 'pupils experience in linguistic, mathematical, scientific, technological, human and social, physical and aesthetic and creative education'.

Assessments	Required to assess students in accordance with their funding agreement – including at key stage 2 and 4	Required to assess students at all key-stages in accordance with their funding agreement	Students must be assessed at all key stages.	Not required to perform national assessments (e.g. GCSEs). However most do.
Teaching Hours	Free to change day and term lengths	Free to change day and term lengths	Voluntary Controlled and Community schools must go through a lengthy consultation process to change school day.	Free to change day and term lengths
Specialised Programs	Must establish a clear Special Education Needs (SEN) policy following the code of practice for SEN and vulnerable children.	Must establish a clear SEN policy following the code of practice for SEN and vulnerable children.	Must follow the code of practice. LA oversees provision.	Must ensure that facilities and access are suitable for those with special educational needs and disabilities.
Outcome Indicators	Student outcomes monitored through inspection by Ofsted (Office for Standards in Education). Must reach national floor targets.	Student outcomes monitored through inspection by Ofsted. Must reach national floor targets.	Student outcomes monitored through inspection by Ofsted. Must meet national floor targets.	No mandatory inspection requirements for achievement. No external targets set.
Students				
Restrictions on age-range of school	Anything between the 5-19 age range.	Anything between the 5-19 age range.	Depends on LA.	None

Admissions	No selection by aptitude permitted. Priority by faith limited to 50% of pupils. Can prioritise up to 10% of secondary pupils on aptitude.	No selection by aptitude permitted. Can prioritise up to 10% of secondary pupils on aptitude.	Selection by ability allowed for grammar schools but no other schools. Can prioritise up to 10% of secondary pupils on aptitude.	Selection by ability permitted.
Cap on number of students	Primary – classes limited to 30 pupils by statute. Secondary - None	Primary – classes limited to 30 pupils by statute. Secondary - None	Primary - classes limited to 30 pupils by statute. Secondary – None Other – None	Primary –None Secondary – None Other – None
Finance				
Source of revenue and disbursement	Public - Funding disbursed directly by formula calculated by the DfE. Funding varies between LAs.	Public - Funding disbursed directly by formula calculated by the DfE. Funding varies between LAs. Often have additional funding from the academy sponsor.	Public – Funding disbursed by LA	Private: Fees and bequests - no public funds committed
Revenue per pupil	Comparable to state schools in the local area.	Comparable to state schools in the local area.	Varies significantly by Local Authority. ²	Variable – dependent on level of fees charged
Allocation	Schools have full flexibility to allocate funds as deemed fit, including services normally provided by LA	Schools have full flexibility to allocate funds as deemed fit, including services normally provided by LA	Schools free to allocate all funds received but LA keeps a proportion back for 'central services'.	Schools have full flexibility to allocate funds as deemed fit.
Personnel Management				

Teacher selection criteria	Not required to have teachers with QTS (except SENCO) but are required to have a training and development plan.	QTS required	QTS required	No QTS required
Adding non-teaching positions	Free to hire as required	Free to hire as required	Depends on school type.	Free to hire as required
Performance incentives	Free to set own pay and conditions	Free to set own pay and conditions	Follow national pay and conditions.	Free to set own pay and conditions
Performance management	Free to evaluate and manage performance as required. Inspected by Ofsted and must fill conditions.	Free to evaluate and manage performance as required (subject to TUPE restrictions)	Performed by LA	Free to evaluate and manage performance as required.
Governance				
Ownership of physical asset	Charitable trusts (must be non-profits, but within that could include charities, parent/teacher groups, universities etc)	Charitable trusts	LA for community schools. Other types, the land and buildings may be owned by a charity, religious group or governing body.	Private. Usually, but not always, a trust.
Decision-making & fiscal responsibility	Trustees/ Governing body	Trustees/ Governing body	Governing body (and LA) ³	School Governors/ Trustees

Involvement of private sector	Able to subcontract elements of the running and management of the school to other private sector organisations	Able to subcontract elements of the running and management of the school to other private sector organisations	Able to subcontract elements of the running and management of the school to other private sector organisations	Can be fully or partially privately operated.
Accountability				
Reporting requirements	Analysis and monitoring performed by DfE and Ofsted	Monitored by YPLA.	Monitored and analysed by LA and Ofsted (with some DfE requirements too)	No public reporting requirements
Public Transparency	All results made publicly available	All results made publicly available	All results made publicly available	Ofsted reports publicly available (most also publish exam results)

Other useful links

- Gov.uk has a [guide](#) to different types of school

AUDIT COMMITTEE	AGENDA ITEM No. 13
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	Karen Dunleavy, Governance Officer	☎ 452 233

WORK PROGRAMME

1. ORIGIN OF REPORT

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

2. UPDATE

2.1 Work Programme 2015 / 2016 (Appendix A)

The Work Programme is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the Committee meeting.

APPENDIX A

DATE: 29 JUNE 2015			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Head of Internal Audit Opinion 2014 / 2015	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on Internal Audit activities for the year ended 31 March 2015
	Internal Audit: Review of Effectiveness	Internal Audit Steve Crabtree	To receive, consider and endorse the annual review of the effectiveness of Internal Audit for the year ended 31 March 2015 together with any associated action plan
	Investigations Team Annual Report 2014 / 2015	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2015
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2015
	Budget Monitoring Report Final Outturn 2014 / 2015	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2015
	Draft Statement of Accounts 2014 / 2015	Finance Steven Pilsworth	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2015
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
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	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)
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DATE: 21 SEPTEMBER 2015			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Growth and Regeneration Kevin Dawson	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Outcome of the Code of Conduct Review	Governance Ben Stevenson	Outcome of second review following Audit Committee action point 22 September 2014
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Bens Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 9 NOVEMBER 2015			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Use of Consultants	Finance Steven Pilsworth	To receive an update on the Use of Consultants across the organisation
	Treasury Management	Finance Steven Pilsworth	To receive an update on the policy and effectiveness of treasury management
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 8 FEBRUARY 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Karen Dunleavy	
	External Audit: Report to Management	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	External Audit: Annual Audit Letter	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	External Audit: Grant Claims Annual Certification	PwC	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 21 MARCH 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Growth and Regeneration Kevin Dawson	To receive an update on the strategic risks for the Council
	External Audit: Audit Plan	PwC	To receive and approve the External Audit Plan
	Internal Audit: Draft Internal Audit Plan 2016 / 2017	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2016 / 2017
	Draft Annual Audit Committee Report	Democratic Services Karen Dunleavy	To receive the Draft Annual Audit Committee Report prior to submission to Council
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2015 / 2016	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

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