

AUDIT COMMITTEE

THURSDAY 22 SEPTEMBER 2016

7.00 PM

Bourges/Viersen Room - Town Hall

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

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

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

3. **Minutes of the Meeting Held on 29 June 2016** 3 - 10

To Approve the Minutes of the Meeting held on 29 June 2016.

4. **Audit of Statement of Accounts To Those Charged with Governance (ISA260)** 11 - 166

To receive the final Statement of Accounts for the year ended 31 March 2016 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.

5. **Risk Management: Strategic Risks** 167 - 192

To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.

INFORMATION AND OTHER ITEMS

6. 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

7. Approved Write-Offs Exceeding £10,000

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 29 June 2016, which exceed the Council's Financial Regulation threshold of £10,000.

8. Feedback Report 193 - 198

9. Work Programme 199 - 204



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: Fuller (Chairman), Aitken (Vice Chairman), D Over, Sims, E Murphy, K Sharp and Bond

Substitutes: Councillors: King, Shaheed, Hussain and B Saltmarsh

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

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH 29 JUNE 2016

Present: Councillors Fuller (Chairman), Aitken (Vice Chairman), Over, Sims, Shaheed, Murphy and Sharp.

Also

Present: Councillor Seaton Cabinet Member for Resources;
Councillor Lane representing Cllr Fox and Leader for Werrington First

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Head of Corporate Finance
Kay McClennan, Audit Manager Ernst and Young LLP
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 21 MARCH 2016

The minutes of the meeting held on Monday, 21 March 2016 were approved as an accurate and true record.

4. AUDIT PLAN 2015/16

Audit Manager Ernst and Young LLP introduced the report to the Committee, which outlined the external audit plan for 2015/16.

They key points highlighted included:

- Financial Statement Risks;
- Paying particular attention to Schools accounting processes as highlighted by the PwC last year;
- Minimum Revenue Provision;
- Group Boundaries and Partnerships;
- New Financial System (November 2015 the Local Authority had changed its accounting system from Oracle to Agresso);
- The Better Care Fund (BCF);
- Value for Money Risks;
- Materiality and Trivial Level normally based on 5% reportable audit misstatements £250,000;
- Scale Fee;

- Timetable of the key stages of the audit;
- Appendix A - Fees;
- Appendix B - Communications; and
- Appendix C – Detailed Scopes.

The Audit Manager Ernst and Young LLP responded to comments and questions raised. A summary of the responses included:

- The Audit fees would be £108,533 as set by the Public Sector Audit Appointments (PSAA), however, there would be additional fees to cover any in depth review by the technical department on the finances, which was anticipated to be no more than 10% of the overall total fee;
- The Better Care Funding would present a complex relationship with LA partners such as NHS, which could lead to more areas of risk, however some of these risks were known to external auditors through working with other authorities. This knowledge had provided external auditors with insight to the possible pitfalls. The issues surrounding Private Finance Initiative (PFI) in regards to the hospital were different and require an alternative approach;
- In order to protect the LA against financial loss it was encouraged to develop good partner arrangements in order to implement robust legal agreements and strong contractual safeguards. The Adult Social Care partnered service provided experience in robust contracts, which had been bought in house;
- The risks and liabilities of PFIs had been reviewed on a yearly basis and currently the arrangement was being analysed, which would be published as part of the ISA260 report;
- The LA had an obligation to maintain other schools, which included the duty to ensure that PFIs contracts were meeting their regulatory standards;
- The future ownership of PFI funded schools was discussed and it had been confirmed that ownerships would return to the LA after 30 years with the possible exception of one Academy. There would not be the same risks applicable to PFI schools as with the NHS due to the affordability arrangement;
- Facility functions for PFI funded schools such as care taking and cleaning had been monitored by the People and Communities Department in the same way as with LA maintained schools; and
An outline of risks and changes would be included in the ISA 260 report due to be reported to Committee on 22 September 2016.

ACTION AGREED

The Committee:

1. Considered the External Audit Plan for 2015/16 and points raised by Ernst and Young LLP in the document including:
 - Proposed scope, comfortable with the audit risks, and approach;
 - Considered and responded to matters relating to fraud;
 - Considered and responded to the Ernst and Young view on the value of misstatements; and
 - Noted the audit fees for the year.
2. Provided comment on any amendments necessary.

5. BUDGET MONITORING REPORT FINAL OUTTURN 2015/16

The Service Director Financial Services introduced the Budget Monitoring Report Final Outturn to the Audit Committee, which outlined the management of accounts for 2015/16, which formed of the part of the reporting of Council's accounts. The report outlined the revenue and capital performance, reserves, treasury management performance and other performance indicators. Members were also advised by the Service Director Financial Services that this year had resulted in an underspend of £1.028 million which would be transferred to reserves for the financial year 2017/18 in line with the budget strategy.

The Service Director Financial Services responded to comments and questions raised. A summary of the responses included:

- The underspend of £1.028 million was a small proportion of the overall budget and exceeded those of recent years, however this had been intentional in order to attempt to cushion the financial impact in the future. A detailed analysis of the underspend was included on page 44 of the report;
- A Member requested that it should be noted that the £1m saving could have been spent on provision of services;
- The budget savings had been made due to the number of staff vacancies, for example in financial services owing to the time taken to fill vacant positions. The restructure that followed the Senior Management Review vacancies were advertised and eventually filled, however although posts were empty for a while it had certainly not felt that the posts were unnecessary for the department;
- Members raised concerns over the number of departments showing staff vacancies, a lack of recruitment and, if the positions had not been filled, were staff coping with the additional workload;
- In some departments elements of work had been postponed due to staff shortages. In areas where staff shortages had impacted services, interviews had taken place. In instances where the staff shortages still appeared to impact on services, recruitment would continue; and
- The underspend would not impose a negative impact on the LA for future funding received from Central Government.

ACTION AGREED

That Audit Committee approved:

1. The reserves position for the Council.

That Audit Committee noted:

1. The final outturn position for 2015/16 (subject to finalisation of the statutory statement of accounts) of a £1.028m underspend on the Council's revenue budget;
2. The outturn spending of £81.8m in the Council's capital programme in 2015/16;
3. The performance against the prudential indicators; and
4. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

6. DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The Service Director Financial Services introduced the report to Committee, which outlined the Draft Statement of Accounts for year ending 31 March 2016. The Committee was also advised that there had been an amendment tabled to note 19, on page 113 of the agenda pack in relation to the Investment Properties, which have been appended to these minutes.

The Service Director Financial Services responded to Discussion comments and questions raised by Members:

- The Section 151 Officer was required sign of the draft accounts by the end of June 2016 for auditing by Ernst and Young; the findings would be reported back to the Audit Committee meeting due to be held on 22 September 2016. Although there had been no requirement for the accounts to be presented to the Audit Committee by the end of June for the current financial year, it was felt by the Finance department to be good practice to continue to do so;
- Members of the public would be able to scrutinise the figures in their draft form; and
- The heading title - non distributed costs were related to pension costs.

ACTION AGREED

The Committee:

Reviewed and commented on the Draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2016.

The Committee also agreed:

Service Director Financial Services provide would provide Members with further detail in regards to the non distributed costs outlined for pensions costs.

7. INVESTIGATIONS TEAM ANNUAL REPORT 2015 / 2016

The Chief Internal Auditor introduced the report to Members which detailed efforts made across the country to tackle fraud and also highlighted the level of fraud detected and the action taken in response.

The Chief Internal Auditor responded to comments and questions raised. A summary of the responses included:

- Staff from Department for Work and Pensions liaise with Peterborough City Council to share and receive information relating to fraudulent benefit claims, whether linked with undeclared income, unable to work. Most of the fraud intelligence would be received by a fraud hotline, which would be allocated to various officers/agencies according to type;
- Enforcement Officers routinely patrol to check the validity and expiry dates of Blue Badges and had the power to confiscate passes if they thought the driver of the vehicle was not the designated badge holder. To date there were no issues with the use of Blue Badges from abroad;
- Members raised concerns over Blue Badges, which could be downloaded from the internet; and

- Bus pass fraud was investigated by the National Fraud Initiative, and there had been no cases known for the Peterborough area.

ACTION AGREED

The Committee:

Endorsed the annual report on the investigation of fraud and other issues during 2015/2016.

The Committee also agreed

That the Chief Internal Auditor would provide regular updates to the Audit Committee in regards to the resources position for the Audit and Investigations Teams.

8. ANNUAL AUDIT OPINION

The Chief Internal Auditor introduced the report to Members, which highlighted the internal activities across the organisation including systems such as Agresso, grant claims, risk assessments. Members were also advised by the Chief Internal Auditor that there would be a mid-year update report presented to the Committee as per the Work Programme for 2016/17.

ACTION AGREED

The Committee:

Considered and endorsed the attached Chief Internal Auditor's annual report for the year ended 31 March 2016.

9. DRAFT ANNUAL GOVERNANCE STATEMENT

The Service Director Financial Services introduced the report Statement of Accounts for 2015/16, which outlined the closure of the accounts process.

The Service Director Financial Services responded to comments and questions raised. A summary of the responses included:

- The Annual Governance Statement did not govern the ethical practices followed by Peterborough City Council for procurement processes; and
- Ethical practices followed by Peterborough City Council (PCC) for procurement activities, were reviewed by the Member Officer Working Group (MOWG) in March 2015 with the findings reported to Cabinet on 7 December 2015.

ACTION AGREED

The Committee:

Received, considered and endorsed the Draft Annual Governance Statement 2016/16 and:

1. Noted the arrangements for compiling, reporting on and signing the Annual Governance

2. Statement;
3. Reviewed and commented on the Annual Governance Statement including any areas which should be amended;
4. Subject to changes identified above, agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2016; and
5. Noted the changes proposed for the 2016 / 2017 Annual Governance Statement preparation and production.

The Committee Also Agreed:

The Service Director Financial Services would circulate the full report considered by the Cabinet its meeting held on 7 December 2015, which outlined the MOWG's review of PCC's ethical investment and procurement.

INFORMATION AND OTHER ITEMS

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

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

11. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs amounts to report since 21 March 2016 which exceed the Council's Financial Regulation threshold of £10,000.

12. FEEDBACK REPORT

The Chairman introduced a 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.

ACTION AGREED

The Committee:

Noted the report.

13. WORK PROGRAMME

The Chairman submitted the latest version of the Work Programme for the Municipal Year 2016/2017 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2016/2017 together with any training needs identified.

ACTION AGREED

The Committee:

Noted and approved the 2016/2017 Work Programme.

7:00pm – 7:55pm
Chairman

Amendments to the papers for Audit Committee 29th June 2016 from those circulated on 21st June 2016

Item 6 – App A – Draft Statement of Accounts 2015/16 –

The following changes have been incorporated into the Statement of Accounts to be signed tomorrow by the Corporate Director: Resources and published on the council's website.

Note 19 – Investment Properties.

- Formulae in last line of table (p113 reports pack / p49 Statement of accounts document) showing the 'Balance at end of year' were not calculating properly. Revised table shown below:

2014/15 £000	Investment Properties	2015/16 £000
35,047	Balance at start of year	33,031
157	Subsequent Expenditure (Note 25)	1,497
(275)	Disposals	(3,040)
(1,898)	Revaluations (Note 10)	(564)
-	To / from Property, Plant and Equipment	846
33,031	Balance at end of the Year	31,770

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AUDIT COMMITTEE	AGENDA ITEM No. 4
22 SEPTEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

2015/16 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS

R E C O M M E N D A T I O N S	
FROM : John Harrison, Corporate Director Resources	Deadline date : 22 September 2016
The Audit Committee is asked to:-	
<ol style="list-style-type: none"> 1. Receive and approve the "Audit Results Report - (ISA260) for the year ended 31 March 2016" from Ernst & Young (EY), the Council's external auditors. 2. Receive and approve the audited Statement of Accounts 2015/16. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from the s151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

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

- Receive and note "Audit Results Report - (ISA260) for the year ended 31 March 2016" from Ernst & Young (EY) on behalf of the Council.
- To receive and approve the audited Statement of Accounts.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.16 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council and 2.2.17 to consider the external audit report to those charged with governance on issues arising from the audit of accounts.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. MAIN BODY OF REPORT: 2015/16 REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS

2015/16 Report to Those Charged with Governance

- 4.1 The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260.
- 4.2 The ISA260 report for 2015/16 from Ernst & Young (EY), the Council's external auditors is attached as Appendix 1.

4.4 This is the first ISA260 report that Audit Committee has received from our new auditors. Whilst the format of the report is different to the one that the Council's previous auditors, PriceWaterhouseCoopers, (PwC) produced it is designed to meet the same statutory requirements. There are a number of sections within the ISA260 report as follows:

- a) **Executive summary** – describes the purpose of the report and a summary of the Audit.
- b) **Responsibilities and purpose of our work** – outlines the Council's responsibilities and the purpose of the work EY have undertaken, which is covered by the report.
- c) **Financial Statements audit** – this section forms the main content of the report, and consists of a number of subsections, some of these are summarised below:
 - Addressing audit risks – Notes the risks identified in the Audit Plan, the audit procedures performed in relation to them and the assurance gained, and issues arising as a result of the audit work performed. There are a mix of types of risks identified, from the general risk such as management override of controls and fraud which any organisation would face and are not specific to the Council, and as such are audited for all councils, and those more specific to the Council, such as the property valuation assumptions and methodologies used by the Council's external valuers, the accounting treatment for the Council's Private Finance Initiative, minimum revenue provision following the revised 2015/16 policy as agreed as part of the MTFs in March 2016, and the Council's assessment of the boundary with regards to Group Accounts. Other financial statement risks identified include recognition of the new financial system used by the Council and Better Care Fund accounting. Further comment is provided on some of the audit findings in 4.5 of this report.
 - Control themes and observations – EY report that they only test internal controls to the extent necessary for them to complete their audit and that they have not identified any significant deficiencies in them. EY also report that the Annual Governance Statement is not misleading or inconsistent with other information they have reviewed.
 - Whole of Government Accounts – due to delays in the issuing of national guidance to auditors, work on this is still be completed. Any matters that arise will be reported to Audit Committee.
- d) **Value for money** – this had been identified as a significant risk within the audit plan due to the impact of national funding reductions for local government. EY note that the 2016/17 budget is balanced through the use of efficiencies and income plans and that further significant savings are required in the coming year. Comparing the size of the savings to the Council's gross expenditure, and taking into account the Council's track record of delivering savings, they consider the plans reasonable and expect to issue an unqualified value for money conclusion.
- e) **Appendix A - Corrected audit differences** – reports some material presentational adjustments which have been amended in the accounts. These relate to income and expenditure that was misclassified due to coding issues and had no impact on the bottom line totals of the affected tables or the Council's financial position. The Corporate Accounting Team are providing refresher training on the importance of correct coding on the financial system to ensure these misclassifications do not occur in the future.
- f) **Appendix B – Independence** – confirmation that there are no changes in EYs assessment of their independence.
- g) **Appendix C – Auditor fees** - as anticipated in the Audit Plan, an additional fee will be charged as a result of work that has been undertaken to address specific risks included in the plan. The amount of this additional fee is still to be confirmed.
- h) **Appendix D – Draft Audit Report** – this is a draft copy of the Independent Auditors' Report to the Members of Peterborough City Council which is included in the Statement of Accounts and will be signed following the completion of the audit.
- i) **Appendix E – Management representation letter** - a draft copy of the letter of representation for the Council's S151 officer and Chair of Audit Committee to sign (Appendix 2 to this report).

j) **Appendix F – Required communications with the Audit Committee** – Outlines the communications that the auditors must provide to Audit Committee and method of communication.

4.5 The following table provides further detail on the Accounting Issues raised in the EY report, and associated comments from the Council:

EY Report – summary of points raised	Management Comment
<p>1. Previous audit issue - Lack of reconciliation of Gross Internal Area (GIA)</p> <p>EY have not yet concluded their work on valuations but note that there are outstanding queries to resolve on DRC valuations.</p> <p>EY will update the audit committee at the meeting on 22 September.</p>	<p>The outstanding queries on DRC valuations relate to EY investigating the methodology used by the Council’s valuers as a result of an issue highlighted in another of their audits. The Council has provided relevant information of the investigations and conclusions of its previous external auditors in this area. As in previous years the Council expects this to be noted as professional differences of opinion between valuers.</p> <p>The Code requires the Council’s S151 Officer to ensure that adequate valuations are provided to support the Council’s financial statements in relation to PPE and investment properties. To comply with this the Council, through the use of its partners Serco (now NPS), commission external valuers to value the Council’s properties on a rolling four year programme. The Council uses the valuers Wilks Head and Eve (WHE), who are a national and professionally qualified Royal Institution of Chartered Surveyors (RICS) firm.</p> <p>EY obtain valuation advice from their internal valuers on the suitability of the valuation approaches used by WHE.</p>
<p>2. Accounting for schools’ non-current assets</p> <p>The decision to exclude the assets from the balance sheet is in line with the Code and consistent with the Council’s approach for this category of assets.</p> <p>However, although these assets have been correctly excluded from the balance sheet there has been no progress in completing the legal transfer to the governing bodies of the schools.</p>	<p>As identified in the 2014/15 accounts the Council are in the process of transferring ownership of these assets, and are obliged to treat the assets as if ownership had already transferred. The Council has concluded that the inclusion of these assets, onto its balance sheet, would not present the users of the accounts with a true and fair view of the position for the year ended 31 March 2016.</p> <p>EY concur with the Council’s previous external auditors in that the judgement and accounting treatment applied is acceptable and the situation is fully disclosed within Note 44 “Critical Judgement in Applying Accounting Policies”.</p> <p>The Council’s solicitors are in contact with the relevant Diocese to resolve issues currently preventing transfer of the other assets.</p>
<p>3 Private Finance Initiative</p> <p>EY populated their Parallel PFI Model with assumptions from the Council’s Operate Model</p>	<p>PFI schemes and how they are accounted for relies on complex models which use a number of assumptions and estimation techniques. Following discussions between the Council’s</p>

EY Report – summary of points raised	Management Comment
<p>and identified some differences between the Operator model and the EY Parallel Model.</p> <p>The Council’s Operator Model calculations are in accordance with the CIPFA Code requirements for a service concession.</p> <p>They have not reported these differences as errors.</p>	<p>finance team and the EY technical expert, it has been confirmed that the differences in the models are due to applying different assumptions that are allowed within the Code.</p> <p>This arrangement is not new for the Council. The accounting treatment was agreed with PwC in 2009/10 and has been audited without any comment or adjustment in each subsequent year.</p>
<p>4. Minimum Revenue Provision (MRP) methodology change</p> <p>In common with many other local authority bodies in 2015/16 the Council has reviewed the basis on which they calculate the required “prudent” MRP amount. The change is proposed to assist with funding the budget gap which has been identified by the Council.</p> <p>The MRP adjustment is material and EY consider that there are risks around:</p> <ul style="list-style-type: none"> • Whether the weighted average life of the assets has been correctly calculated; • The treatment of Adjustment A • Whether the revised calculation of MRP is correct 	<p>The Council has been proactive in obtaining the EY opinion on the MRP methodology changes, commencing dialogue on this topic as early as December 2015. This has helped ensure that the basis of adjustment as contained in the Medium Term Financial Strategy was prudent.</p> <p>The item which EY has brought to Audit Committee attention reflects the application of PCC policy with regards to adjustments to capital expenditure from previous years creditor entries. In the past these credit entries have been immaterial in amount and therefore assigned a life of one in the MRP calculation to aid simplification of the calculation for future years. However, in the past two most recent years the total of these creditor adjustments have increased, and the Council has continued to apply its standard approach.</p> <p>Following discussion with EY no change is required in the 2015/16 accounts for this. The Council has now amended its calculation policy for future years with any credit adjustments over £50k to be matched to the life of the asset and original MRP charge.</p> <p>It should be noted that the previous external auditor had not raised this as a point of issue.</p>

Management Representation Letter

- 4.6 The Corporate Director: Resources, as Chief Finance Officer (S151), is required to make representations on behalf of the Council in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit Committee. The draft letter is attached in Appendix 2 for review by Audit Committee.

Statement of Accounts 2015/16

- 4.7 The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the presentation of the Statement of Accounts in both June and September to Audit Committee, and also through the completion of a successful external audit process.
- 4.8 The draft Statement of Accounts was considered by Audit Committee on 29 June 2016 and has subsequently been the subject of external audit by EY.

- 4.9 Following the external audit, some presentational amendments have been made to the draft Statement of Accounts (presented to Committee in June), with the material presentational amendments shown in Appendix A of the ISA260 report.
- 4.10 The updated Statement of Accounts for 2015/16 is attached in Appendix 3 for formal approval by the Audit Committee.
- 4.11 At the time of reports publication to Committee, EY are finalising the audit of Statement of Accounts with some review areas to be completed. If there are further updates required to the version distributed with this agenda, then the revised Statement of Accounts and a schedule of updates will be tabled at the meeting.

5. CONSULTATION

- 5.1 Between 1 July 2016 and 11 August 2016, the Council's accounts have been subject to a statutory period for the exercise of public rights, where any person may inspect and take copies of the accounts and certain related documents. During this period Peterborough City Council electors have been able to ask the external auditor questions on the accounts, and are able to object to the accounts. None of these rights were exercised.
- 5.2 A clearance meeting was held 13 September 2016 where EY outlined the key findings of the audit to the Corporate Director: Resources, as part of his role as the Council's S151 Officer. The draft ISA260 report was discussed with the Council's finance team during the period 11 August to 13 September 2016.

6. ANTICIPATED OUTCOMES

- 6.1 To receive and note the "Audit Results Report - (ISA260) for the year ended 31 March 2016" from EY on behalf of the Council
- 6.2 To receive and approve the audited Statement of Accounts

7. REASONS FOR RECOMMENDATIONS

- 7.1 Paragraph 2.2.18 of the Constitution requires the Audit Committee to "review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council."
- 7.2 It is a statutory requirement under the Accounts and Audit Regulations 2015.

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

- 9.1 There are no legal or financial implications of this report.

10. BACKGROUND DOCUMENTS

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

Council Constitution

11. APPENDICES

- Appendix 1 – ISA260

- Appendix 2 – Management representation letter
- Appendix 3 – Statement of Accounts 2015/16

Peterborough City Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



Building a better
working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We are currently concluding our audit of the financial statements of Peterborough City Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding matters below, we will issue an audit opinion in the form which appears at Appendix D.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> • completion of our audit testing in a small number of areas, of which the finance team are aware. We will update the audit committee if there are any issues to report upon the conclusion of these areas; • receipt of a response from the Pension Fund auditor on the results of their work programme under the IAS19 protocol; • completion of final manager and partner review procedures; • completion of subsequent events review; • receipt of the signed management representation letter and revised financial statements. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have yet to perform the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission, as the deadline for completion is the 21 October 2016.</p> <p>Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office. We therefore may issue the audit certificate at a later date to the audit opinion.</p>
Audit differences	<p>There are no unadjusted audit differences, at the time of writing.</p> <p>There are two corrected audit differences, to bring to your attention. These are detailed at Appendix A.</p> <p>Our audit identified a small number of other minor amendments to disclosures which our team have highlighted to management for amendment. These have been corrected during the course of our work and are not detailed in this report.</p>

Scope and materiality	<p>In our audit plan, presented at the Audit Committee meeting on 29 June, we communicated that our audit procedures would be performed using a materiality of £9.7 million. We have reassessed this based on the actual results for the financial year and there has been a small change to the materiality level we have applied; we have revised our materiality level to £10 million. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with your previous auditors.</p> <p>The threshold for reporting uncorrected audit differences which impact the financial statements has changed from £250k to £500k.</p> <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following significant audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none">• Risk of fraud in revenue recognition• Risk of management override• Property, Plant and Equipment valuation• Private Finance Initiative• Minimum Revenue Provision (MRP) methodology change• Assessment of the Group boundary <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>At the time of writing, we have no other matters we wish to report.</p>
Control observations	<p>We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.</p>

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Janet Dawson

Partner
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; • Evaluated the business rationale for any significant unusual transactions; and • Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised 	<ul style="list-style-type: none"> • We selected a number of journals to review based on our risk assessment. We have agreed these to other areas of our audit work or other supporting evidence. We have no concerns to raise, at the time of writing. • Our review of estimates has not identified evidence of management bias. • We have not identified any unusual business transactions. • We have reviewed capital expenditure on property plant and equipment and found no issues with the classification as capital expenditure.
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of incorrect recognition, and also management override.</p>	<ul style="list-style-type: none"> • Reviewed and tested revenue and expenditure recognition policies; • Developed a testing strategy to test material revenue and expenditure; and • Reviewed and tested revenue cut-off at the period end date. 	<ul style="list-style-type: none"> • We have tested revenue recognition and cut off as part of income and expenditure testing and have not identified any issues with classification or recognition of expenditure.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Property, Plant and Equipment valuation</p> <p>The Council' previous auditor raised two issues in their annual audit letter relating to PPE valuations, re:</p> <ul style="list-style-type: none"> ▶ Lack of reconciliation of Gross Internal Area (GIA) documentation. However, their work in this area concluded that the amounts on the valuation certificates were appropriate and no adjustments were required to the accounts as a result of this matter. 	<p>We have obtained an understanding of and evaluated key controls over the valuation of PPE.</p> <p>Where asset valuations are undertaken in-year we have:</p> <ul style="list-style-type: none"> ▶ agreed the source data used by your valuer to supporting records; ▶ assessed the work of your valuer; and ▶ agreed the outputs to your fixed asset register and statements. <p>Where the Council proposes significant changes to valuation bases we will have evaluated the rationale.</p> <p>Where assets are not revalued in-year, we have reviewed the Council's impairment assessment and consideration of whether the carrying value of these assets remain appropriate.</p>	<p>Valuations work is still being concluded – there are some outstanding queries to resolve on DRC valuations.</p> <p>We will update the audit committee at the meeting on 22 September.</p>
<ul style="list-style-type: none"> ▶ Accounting for schools' non-current assets. Your previous auditor identified matters in relation to 5 schools with a total netbook value of £9.5m. It is the Authority's view that legal ownership should reside with, and is in the process of transferring to, the governing bodies of the schools, who have substantive control over these assets. Therefore, the Authority does not have control over the assets and has not included these assets in the balance sheet. The Council's previous auditor was satisfied with the conclusions made by the Council not to recognise these assets but requested disclosure of this matter, including the net book value of the non-current assets of £9.5m, in a note to the accounts. 	<p>We have discussed the latest position with the finance team, and understand that these schools are still in the process of transferring to the governing bodies.</p> <p>It is likely that we will take the same view as your previous auditor and would require the Council to make a similar disclosure this year, if the position has not been resolved by the date of our audit opinion.</p>	<p>The Code of Practice confirmed that accounting for schools should be based upon an assessment of the control of the asset. From discussion with officers in clarifying the Council approach and identifying what the accounting policy was it was confirmed that control had been the underlying principle in assessing whether to include school assets on the balance sheet. In the case of voluntary aside and voluntary controlled schools the Council has taken a consistent view that the arrangements in place mean that the governing body has substantive control and therefore such assets should be off balance sheet.</p> <p>The decision to exclude the assets from the balance sheet is in line with the Code and consistent with the Council's approach for this category of assets.</p>

		<p>However, although these assets have been correctly excluded from the balance sheet there has been no progress in completing the legal transfer to the governing bodies of the schools.</p>
<p>Private Finance initiative</p> <p>The Council recognises on its Balance Sheet a PFI liability for a PFI agreement with IIC BY Education (Peterborough Schools) Limited which the Council signed in 2006 for the delivery of new and improved facilities and services for three secondary schools in Peterborough. The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering for 30 years. One of the three schools has transferred to Academy status therefore 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</p> <p>The PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.</p> <p>The accounting entries are based on a complex range of assumptions via a PFI accounting model.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Obtained an understanding of and evaluated key controls over the valuation of the PFI liability. ▶ Ensured the PFI model has been brought forward correctly from the previous year, and have engaged relevant experts to review the model against an EY model to ensure the client model is still working as expected. ▶ Ensured the PFI accounting model has been updated for any service or other agreed variations. <p>Agreed outputs of the model to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure.</p>	<p>We populated our EY Parallel Model with assumptions from the Operator Model, and identified some differences between the Operator model and the EY Parallel Model.</p> <p>The Council's Operator Model calculations are in accordance with the CIPFA Code requirements for a service concession.</p> <p>We have not reported these differences as errors.</p>
<p>Minimum Revenue Provision (MRP) methodology change</p> <p>In common with many other local authority bodies in 2015/16 Peterborough City Council has reviewed the basis on which they calculate the required "prudent" MRP amount. The change is proposed to assist with funding the budget gap which has been identified by the Council.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ reviewed the approach put forward by the Council ▶ evaluated the various recalculations and discussed our findings with the finance team resulting in a number of minor changes in the calculation approach ▶ concluded that the overall approach is reasonable and 	<p>A small number of non-material issues were identified and discussed. We identified one issue to bring to your attention:</p> <ul style="list-style-type: none"> ▶ The in-year borrowing summaries show corrections for previous years that are credit amounts for overstated capital creditors. In the early years these are

<p>The Council is currently applying MRP at a rate of 4% which is the previously accepted methodology for the capital expenditure incurred prior to 1 April 2008 which was funded by borrowing, and for supported borrowing undertaken from 2008/09 to 2010/11. The key element of the Council's revised approach is to link the MRP calculation to the weighted average life of these assets. In addition, the annuity basis is to be applied to unsupported borrowing post 2008.</p> <p>The MRP adjustment is material and we consider that there are risks around:</p> <ul style="list-style-type: none"> ▶ Whether the weighted average life of the assets has been correctly calculated; ▶ The treatment of Adjustment A ; and ▶ Whether the revised calculation of MRP is correct. 	<p>complies with the statutory guidance from DCLG</p> <ul style="list-style-type: none"> ▶ agreed the quoted set aside amount of £6.136m funded from a combination of applied capital receipts and revenue charges <p>The revised approach is for:</p> <ul style="list-style-type: none"> ▶ Pre 2008 supported borrowing to be fully repaid over a 46 year period on an annuity basis. The time period being based on an assessment of the weighted useful life of PCC assets and significantly less than the existing approach ▶ For 2007/08 and 2008/09 borrowing currently being repaid on equal instalments to be moved to annuity basis for the remaining useful life of the assets ▶ To move the calculation of MRP on the PFI scheme to an annuity based on the asset life rather than the contract period ▶ Amending the MRP policy to allow the use of capital receipts to fund the gross amount to be set aside each year with the residual amount being funded from revenue ▶ No backdating to take place with the above changes effective from 1.4.2015 	<p>quite small, however in 2013/14 these amounted to £557k and in 2014/15 to £897k. The Council has accounted for these by adjusting fully in that year by using an asset life of 1 and reducing the MRP charge by the full amount. This is contrary to the more usual approach of mirroring the asset life for the borrowing used in the previous year to adjust the net MRP to what it would have been if the correct borrowing amount had been shown initially. The impact of this approach is to effectively capitalise revenue expenditure in the last 2 years of in excess of £1m. We have agreed with the finance team how to deal with such a position going forward and agreed that although technically the mirroring should be applied to all overstatements there were practical concerns of small value adjustments.</p> <p>Therefore, we have concluded our work in this area and are satisfied that the calculated amount of MRP for 2015/16 of £6,135,921 is fairly stated.</p>
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<p>Assessment of the Group boundary</p> <p>Peterborough City Council has a number of joint arrangements which may necessitate the preparation of group accounts.</p> <p>The Council will need to identify and consider all of its relationships with its subsidiaries and other partners and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's</p>	<p>We reviewed the Council's work on:</p> <ul style="list-style-type: none"> ▶ assessing where overall control lies with regard to the operation and delivery of services of the potential group bodies; and ▶ ensuring that appropriate consolidation procedures are applied to those bodies that lie within the group boundary. 	<p>We agree with the Council's conclusion that it does not need to prepare Group consolidated accounts for 2015/16.</p>
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Financial Statements. Group accounts have not previously been prepared by the Council.

The review will need to consider the new accounting practices introduced in the 2014/15 CIPFA Code of Practice.

There is a risk that associated group boundary changes may go undetected, and that the required disclosures are not made in accordance with the new standards.

We also identified the following other audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>New Financial system</p> <p>On 1 November 2015 the Council changed its financial system from Oracle to Agresso. The transactions and balances from the first seven months of the year were transferred from Oracle to Agresso in a data migration exercise, with the remaining five months transactions being processed in the new system.</p> <p>The risk is that the data has not been transferred correctly and the year end accounts could be misstated.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ reviewing Internal Audit work on the data migration process ▶ reviewing the checks and reconciliations performed by the Finance department and IT department, ▶ reperforming any of these checks as necessary, and ▶ carrying out any additional testing necessary. 	<p>Our review has not revealed any matters to bring to your attention.</p>
<p>Better Care Fund</p> <p>The Better Care Fund (BCF) is a major policy initiative between local authorities, clinical commissioning groups (CCGs) and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. From 1 April 2015 the BCF has been set up as a pooled budget between local government and NHS partners using powers available under pre-existing legislation. The partners use the pooled fund to jointly commission or deliver health and social care services at a local level.</p> <p>Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements that raise risks of misunderstanding, inconsistencies and confusion between the partners. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool.</p> <p>In addition, the Council is party to a number of other pooled budget arrangements. Proper disclosure of the nature of all of these arrangements is important together with the accounting and disclosure implications arising from them in the Council's accounts</p>	<p>We have engaged with management to ensure that their plans for financial statements production are clear.</p> <p>We looked at the accounting treatment for the Better Care Fund and other pooled budgets, and reviewed the disclosures made under IFRS11 and 12 relating to the arrangements.</p>	<p>This work is currently being completed – we will update the audit committee at the meeting on 22 September.</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

At the time of writing, we have no matters we wish to report.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

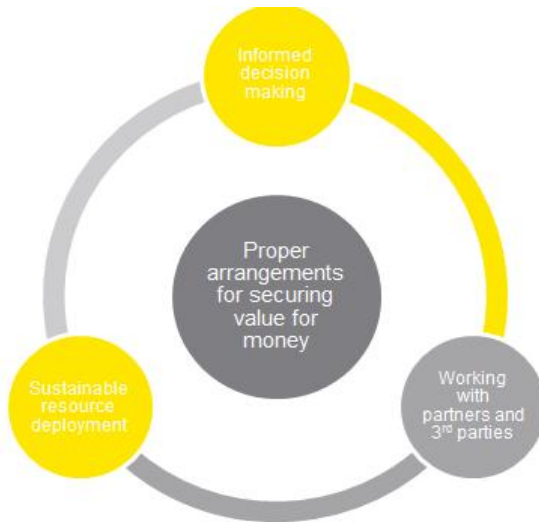
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

There has been a national delay in the WGA completion process, and we have only recently received the Group Audit Instruction; therefore we are yet to conclude our work in this area. We will report any matters that arise to the Audit Committee. The deadline for audit completion is 21 October 2016.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

Overall conclusion

We identified a significant risk in relation to these arrangements regarding sustainable resource deployment.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks for our Value for Money conclusion

The table below presents the findings of our work in response to the risk areas in our audit plan.

VFM risk identified within our audit plan	<p>Councils are funded by grants from central government and locally raised revenue from council tax and business rates or from fees, charges, or other revenue generating activities. Since 2010/11 funding for Councils from central government has reduced by 37 per cent in real terms, and further reductions for the period 2016-17 to 2019-20 are likely.</p> <p>The Council is taking action to address longer term financial resilience issues identified in the Medium Term Financial Strategy. The budget for 2016/17 is balanced; however, there are still some gaps to cover in subsequent years: £4 million in 2017/18, £24 million in 2018/19 and £31 million in 2019/20.</p> <p>Achieving the 2016/17 budget will be reliant on savings plans of £24m being realised. £5 million savings are planned in each year as a result of changing the methodology of calculating Minimum Revenue Provision (MRP).</p>
Impacts arrangements for:	Deploying resources in a sustainable manner
Key findings	<p>We reviewed the Council's 2016/17 budget and the medium term forecast, assessing the extent of the savings plans in place. This took into account the Council's historic record.</p> <p>In 2015/16 the Council continued its track record of achieving its annual budget, delivering a surplus of £1m, along with approximately £25m of savings, and it has established a Grant Equalisation reserve with a balance of £12m, created to defer the impact of funding reductions. The general fund balance stands at £6m as at 31 March 2016, and total earmarked reserves at £30m.</p> <p>The 2016/17 budget is balanced, through the use of efficiencies and income plans. Although it is still relatively early in the financial year, we assessed these as reasonably-based taking into account the Council's track record of delivering savings over the recent financial periods. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so.</p> <p>We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential four-year settlement.</p> <p>The budget gap for 2017/18 is £4m, 2018/19 £24m and 2019/20 £31m. Compared to a gross expenditure of approximately £520m per annum, and historic performance of closing the gap we judge this to be a manageable budget gap.</p> <p>Therefore, based on the known information as at the end of the financial year, we assess the Council to have adequate arrangements.</p>

Appendix A – Corrected audit differences

The following corrected differences, which are greater than £5million, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Mis-classification of income within childrens' services on the face of the CIES (also impacts on note 15). The correction was to decrease both income and expenditure with a nil impact overall on the CIES:		
Cultural & Related Expenditure		(82)
Education & Children's Services Expenditure		(7,585)
Education & Children's Services Income		(7,667)
Cumulative effect of unadjusted differences		0

Disclosures

Disclosure	Description of difference
Note 15: Resource Allocation note Errors in grossing up of income in the resource allocation note.	Fees, charges and other service income to be decreased by £13,097k, Government Grants to be increased by £5,512k and Other Service Expenses to be decreased by £7,585k

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 6 June 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 22 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 6 June 2016.

Appendix C – Auditor Fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work – Note 1	TBC	108,533	
Certification of claims and returns – work not yet completed - Note 2	TBC	13,619	

Note 1 - Audit Fee – Code work. We need to review our costs once we have completed the outstanding procedures before reporting formally agreeing the final fee with you within our Annual Audit Letter. We expect this additional fee to be no more than 10% of the scale fee.

We have undertaken a review of the Council's approach to the Minimum Revenue Provision. This additional work has an additional fee of £2,856 and is currently subject to approval by Public Sector Audit Appointments Ltd (PSAA). This will be included within the overall additional fee.

Note 2 – We have not commenced our work in this area. Our certification of the Housing Benefit claim will be completed to the 30 November 2016 deadline, and the final fee concluded at that time. We will report the results of our work and the final fee with you in our Annual Audit Letter.

We confirm we are planning to undertake no non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

Independent auditor’s report to the members of Peterborough City Council

Opinion on the Authority’s financial statements

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 to 47,
- Collection Fund and the related notes 1 to 5, and
- Statement of Accounting Policies

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Peterborough City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Peterborough City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Peterborough City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Peterborough City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the whether Peterborough City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Peterborough City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Peterborough City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Janet Dawson

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

2X September 2016

Appendix E – Management representation letter

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Peterborough City Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the financial position of Peterborough City Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. *[When there are unadjusted audit differences in the current year or we determine that the current year effects of correcting prior year differences are significant.]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. *We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].*

[When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year and we determine that the current year effects of correcting prior year differences are not significant to the current year.] There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

[The following representation is included when management believes that certain of the identified items, even though immaterial, are not differences.] We do not agree that items *[specify items in question]* constitute differences because *[specify reasons for disagreement]*.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. *[When management is aware of the occurrence of fraud or suspected fraud, or has received allegations of fraud.]* We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

[When management is not aware of the occurrence of a fraud or suspected fraud and has not received any allegations of fraud.] We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council’s internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees *[add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the *[period]* end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. The claim by [*name of claimant*] have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours faithfully,

Chief Financial Officer

Chair of the Audit Committee

Appendix F – Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Peterborough City Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management and the Audit Committee. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report regarding related parties.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations, apart from three investment confirmations which are expected imminently.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Letter/Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Town Hall
Bridge Street
Peterborough
PE1 1HG

Dear Janet

Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2016

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Peterborough City Council (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the financial position of Peterborough City Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in

the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements,

guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than Brexit implications described in Note 46 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours faithfully,

.....
Corporate Director: Resources
Date

.....
Chair of the Audit Committee
Date

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PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2015/16

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

Service Director Financial Services

Peterborough City Council

Town Hall

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Peterborough

PE1 1HG

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Tel: 01733 384562

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Peterborough City Council

Statement of Accounts 2015/16

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Narrative Report

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 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code).

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2015/16. 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:

- *Narrative Report* - this section
- *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 2016 and 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.
- *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 National and Local Context

Peterborough City Council is working in the context of the most challenging financial times that local government has ever faced.

The local government sector is experiencing increasing demands for services, whilst at the same time facing severe reductions to its funding. Over the course of this Parliament, Councils are expected to face additional funding cuts of 40% nationally in real terms (Source: LGA), meaning an extra £20bn of savings must be found nationally to meet this gap. When taken together with cuts experienced since 2010, the total reduction to Local Government funding by 2020 will hit 64%.

Furthermore, the final Local Government Finance Settlement confirmed significant changes to the way Councils will be funded going forward as a system of 100% business rates retention and different grant distribution methodologies are introduced. This is a huge challenge, and the Council must find new and innovative ways to deliver its services to ensure a sustainable financial future for the Council.

Peterborough is also the third fastest growing city in the UK. This increase in demographics brings with it substantial demands for Council services which need to be managed strategically and effectively.

4 Organisational Performance

The Council's priorities are embedded within the budget-setting process and alongside these the Council's strategy in dealing with the financial and organisational challenges it faces are to:

- Seek to vigorously pursue efficiency savings
- Seek out new forms of service delivery to reduce cost and generate income
- Seek to be increasingly entrepreneurial in the way it is managed and run
- Act in a measured way when examining options to balance further budgets
- Look to deliver in future years an efficiency plan to secure maximum grant funding
- Ensure the significant risks that the Council is likely to face are proactively managed

A copy of the Council's Medium Term Financial Strategy for 2016/17 – 2025/26 can be found via the following link: <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finances/>.

A summary of the budget position for the next five years is provided in the following table:

Summary Budget Position	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Opening budget gap	7,390	11,330	14,710	17,760	19,510
Total grant reductions	9,797	16,305	21,124	23,214	23,214
Total budget pressures	6,316	6,311	6,219	6,957	8,484
Total Investments	640	660	650	640	640
Overall budget gap	24,143	34,606	42,703	48,571	51,848
Overall savings proposed	(23,194)	(19,317)	(18,356)	(17,401)	(18,041)
Savings delivered in 2015/16	(12,137)	-	-	-	-
To / (from) Grant	11,188	(11,188)	-	-	-
Equalisation reserve	-	4,101	24,347	31,170	33,807
Final budget position	-	4,101	24,347	31,170	33,807

The Council continues to have robust arrangements in place to ensure that it achieves economy, efficiency and effectiveness. It monitors its spending against budget regularly throughout the financial year and reports the forecast outturn position to Cabinet. These reports are based on the Council's organisational structure.

Budget managers receive detailed budgetary control information each month and 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 and also the Corporate Management Team (CMT). This ensures that pressures and risks are managed and are factored into the development of budget proposals for 2016/17 and beyond. The Council's budget planning process requires items to be scrutinised by CMT, the Cabinet Policy Forum and a Cross-Party Budget Working Group

before they become part of the formal budget proposals. A focus on pursuing value for money has been embedded in the Council's approach to setting future budgets and financial plans.

Any budget risks are reported to CMT during the year in order that swift management action is taken to mitigate them. The budget monitoring process supports CMT to make informed decisions, ensuring planned, sustainable outcomes.

The Council has a robust risk management framework which is embedded within the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement, see Annex 1.

Management of the capital programme and treasury activities are monitored through the Prudential Indicators, which are reported to members on a half-yearly basis as an indication of performance against the Council's Treasury Management Strategy (TMS), and are included in the Council's outturn report which is presented to Cabinet and the Audit Committee.

The Council also has its own performance indicators for monitoring items such as time taken to pay suppliers (creditors) and collection times for customers that owe the Council (debtors), council tax and business rates, and any benefit overpayments against specific targets, see Notes 32 and 35, pages 64 and 66.

Further information on progress against Key Performance Indicators and other organisational objectives can be found in the outturn report, which is presented to Cabinet and the Audit Committee in June each year.

5 Revenue Position

The Comprehensive Income and Expenditure Statement (CIES), page 16, shows the gross revenue expenditure and income together with net expenditure for 2015/16 compared with 2014/15 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 37, demonstrates the presentational differences between these reporting requirements.

The departments of the Council are shown in the following Net Revenue Expenditure table which compares the budget to the actual net expenditure. Figures in brackets indicate a favourable variance.

The final outturn position shows a surplus of £1.0m. This position is primarily a result of underspends in the Growth & Regeneration and Resources directorates. Further detail on departmental underspends is provided in the outturn report presented to Cabinet and Audit Committee in June.

This surplus has been added to the Grant Equalisation Reserve which will be fully utilised by 2017/18. This underspend is incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement on page 17, and Note 17, page 48.

The revenue cost of financing the Council's prudential borrowing totalled £15.1m in the year ending 31 March 2016, compared to £13.2m in the year ending 31 March 2015, see Note 10, page 31 and Note 28, page 57.

Net Revenue Expenditure	Budget £000	Actual £000	Variance £000
Chief Executive	365	310	(55)
Governance	5,557	5,051	(506)
Growth & Regeneration	12,729	11,462	(1,267)
People & Communities	73,562	75,253	1,691
Public Health	(159)	(159)	-
Resources	58,954	58,105	(849)
Total Council Expenditure	151,008	150,022	(986)
Financing Adjustment			(42)
Revised Underspend			(1,028)
Transfer to Grant Equalisation Reserve			1,028
Contribution to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

Balances

As at 31 March 2016, the balance on the General Fund was £6.0m, which is in line with the Medium Term Financial Strategy.

In addition, the Schools balances totalled £6.2m to 31 March 2016, compared with £6.3m at 31 March 2015.

During the year, the Council transferred £11.9m to the Grant Equalisation Reserve. Contributions to this reserve comprise of £1.0m departmental underspends and £10.9m from planned one-off savings. This reserve was established as part of the

MTFS agreed in March 2016 to manage the timing of the impact of transformational change required to mitigate future grant reductions. The variance between the year-end balance on this reserve and the forecast MTFS balance is a result of cash flow timing differences, over-achievement of planned savings and departmental underspends.

6 Capital and Treasury Position

The revised Capital Programme's budget as at November 2015 was £156.5m which includes £61.9m for invest to save schemes. The outturn of £81.8m results from planned changes including removing, reducing or delaying projects. The main elements of capital expenditure, compared with the revised November 2015 budget (after slippage) are shown in the following table:

Capital Expenditure	Budget 01/04/2015 £000	Revised Budget £000	Actual £000
Governance	540	447	-
Growth & Regeneration	17,850	22,152	18,499
People & Communities	4,947	32,188	22,550
Resources	63,227	39,821	31,466
Invest to Save	54,791	61,930	9,252
Total	141,355	156,538	81,767
Financed by:			
External Sources	16,920	25,384	17,096
Capital Receipts	11,820	1,583	1
Prudential Borrowing	112,615	129,571	64,670
Total	141,355	156,538	81,767

Major projects which progressed during 2015/16 and included in the expenditure figures in the previous table are:

- Energy Recovery Facility £20.7m
- A1 Junction 17 - Fletton Parkway £6.1m
A1139 Junction 2
- Invest to Save – Empower Loan £5.6m
- Invest to Save – Energy Related Projects £3.7m
- Hampton Leys School £3.8m
- Southfields Primary £3.5m

Capital expenditure has been financed through a mixture of grants, third party contributions and prudential borrowing. Further information on capital financing can be found in the Borrowing and Investments section following and also in Notes 10 and 25, pages 31 and 54.

The process to regenerate large areas of the city centre have progressed during 2015/16 with the transfer of two Council owned sites to the Peterborough Investment Partnership LLP (PIP), see Note 14, page 36. This transaction has resulted in a deferred capital receipt of £1.7m, payable upon disposal of the loan notes only and does not reflect any of the anticipated additional receipt brought about by the value added to the sites by the work completed by the PiP.

In December 2015 the Council's energy recovery facility became operational, and is the most efficient plant of its size in the UK. The facility, close to the power station in Fengate, has been designed to meet the city's needs for waste disposal for the next 30 years. The facility uses heat to turn any waste that cannot be recycled, into ash and is expected to 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.

The Council entered into a strategic partnership with Empower Community Management LLP (EC), a social enterprise that delivers the installation of solar PV on residential properties in the city and delivers a community benefit scheme to Peterborough. This delivery commenced in 2015/16, see Note 14, page 36 for additional information.

Borrowing and Investments

The Capital and Treasury Management Strategy, approved as part of the Council's MTFS in March 2015, details 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 is the primary source of financing for capital projects.

The following table shows that at 31 March 2016 the Council had net borrowings including cash and outstanding interest of £354.7m (£299.8m in 2014/15).

2014/15		2015/16
£m		£m
37.5	Short Term Borrowing	43.5
271.3	Long Term Borrowing	322.7
(9.0)	Investments	(11.5)
299.8	Net Borrowing	354.7

The Council's TMS outlines the Council's approach to borrowing. The main sources of borrowing for the Council are the Public Works Loan Board (a branch of the Debt Management Office)

and other Local Authorities, along with some bank debt. The Council is reviewing arrangements to access borrowing through the newly-established Municipal Bonds Agency.

The Council has a PFI scheme relating to the building of one school and the refurbishment of two others. Further information on this scheme is provided in Note 26, page 55.

The Council's cash flow position is closely monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £64.7m, actual gross borrowing increased by £57.4m (net £54.9m) during the year.

7 Non-Financial Performance of the Council 2015/16

Key achievements over the past 12 months include:

- Providing services for 188,400 Peterborough residents
- Unemployment at lowest levels since the 1990s
- Fourth highest housing stock growth of any UK city
- More schools than ever before rated as Good or Outstanding
- Launched an energy tariff in partnership with Ovo Energy with more than 2,800 residents having switched providers with collective savings £700k
- Launch of a residential solar photo voltaic panels scheme with an average saving of £200 per installation of generated free energy
- Commencement of a £120m regeneration scheme, Fletton Quays in partnership with Lucent Strategic Land Fund

- The first Gigabit City, with some of the fastest broadband speeds in the UK
- World Smart City 2015, beating Dubai and Moscow
- Using the latest pot-hole patching technology a 'fire breathing dragon' on the Council's roads
- Award winning teams with the Planning, Legal, and Trading Standards teams
- Nominations in National Recycling Awards, including recognition of partnership working with Amey and Viridor
- LGC Awards for the use of Open+ technology in libraries
- Awarded Green Flag status for the seventh consecutive year for publicly accessible parks and green spaces

8 Changes to Service Delivery and Operations

The restructure of the Council's directorates has now been completed. This action has resulted in the merger of Adult Social Care, Communities and Children's Services into a single People and Communities directorate. A Public Health directorate has also been created to manage the Council's new responsibilities in this area. Where figures are given for comparison purposes from the 2014/15 financial year, they have been restated to reflect the new directorate structure, which ensures that the users of accounts are comparing 'like with like'.

In October 2015, the Council became responsible for 0-5 year-olds public health commissioning. This transfer of function joins up with those responsibilities already held by the Council for 5-19 year-old commissioning. Income and

expenditure for this service is reflected under the Public Health directorate heading.

Also in October 2015 Councillors approved plans to share a chief executive between Peterborough City and Cambridgeshire County Councils on a temporary basis. This is the first shared chief executive role between unitary and county authorities nationally and will be in place for an initial period of 12 months, see Note 8, page 27. Further examples of closer partnership working which have developed during the year with neighbouring Councils includes the merger of three Coronal areas across Cambridgeshire and Peterborough to be served by one Senior Coroner, and the Council's planning team to work together with their counterparts in Fenland to deliver an improved and more cost-effective service.

In the Autumn Statement, the Chancellor announced that the Government would make 'Local Authorities running schools a thing of the past'. This statement has not yet been clarified, however, it is noted that there could be a risk to some services that the Council provides regarding schools and there may be particular risk to the levels of Education Services Grant that the Council receives. In addition, as schools convert to Academy status, assets linked to the school are removed from the Council's balance sheet at nil consideration. The Government's recent announcement to convert all remaining maintained schools to Academy status would have a significant impact on the Council's balance sheet. There is now uncertainty as to whether this change will actually progress, and officers continue to monitor developments and will report risks to Members as they become known.

The Council is part of a business rates retention pilot with Central Government. This scheme enables the Council to retain 100% of business rates growth beyond a set baseline. Additional income to the Council from this scheme in 2015/16 totalled £1.4m. The scheme is due to continue until 2017/18, and the Council is lobbying to extend the growth pilot period.

9 Changes to Accounting Policy

For 2015/16 the accounting policy relating to measurement of the Council's assets and liabilities has been amended to reflect the changes brought about by IFRS 13 Fair Value Measurement, see Notes 19 and 29, pages 51 and 59, for further information.

10 Pension Fund

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 decreased during 2015/16, from £279.0m in 2014/15 to £239.4m, a decrease of £39.6m. The deficit has reduced due to an increase in the net discount rate used by the actuary. When this rate is increased the assessed value of the schemes liabilities decreases, as a lower value is placed on benefits that will be paid in the future. The positive impact of this rate change has outweighed the likely lower than expected asset returns, see Note 45, page 72, for further details on assumptions.

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, though contribution rates relating to the schools element have increased to 21.6% as no lump sum payment has been made for their element. 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 23.

11 External Auditors

The 2015/16 Statement of Accounts is the first year to be audited by Ernst & Young LLP. In December 2014 the Audit Commission wrote to the Council to confirm that Ernst & Young 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. Public Sector Audit Appointments (PSAA) have extended the audit contracts by one year for local government to include audits of the 2017/18 accounts. See Note 3, page 21, for further information on external audit fees.

12 Related Parties

The Council is required to disclose material transactions with related parties; bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by the Council. These disclosures can be found in Notes 13 and 14, pages 32 and 36, and also on the Council's website in the Register of Interests for each Councillor.

13 Challenges Ahead

The Council continues to face significant challenges, both in terms of the amount of funding available and the increased levels of demand for its services. The Council's MTFs for 2016/17 identifies an additional £23.2m of savings.

Whilst this does present a challenge for the Council, the key message is that the Council expects that there will be no reduction to service levels in 2016/17. This is made possible through sound strategic financial planning and the hard work of Council staff, who are committed to work more efficiently and generate additional income as an alternative to reducing levels of service for the City's residents.

As part of the 2016/17 budget round, the Council created a Grant Equalisation Reserve, as previously mentioned. This reserve serves to defer the impact of Government funding reductions in order to allow a strategic and measured approach to the financial challenges faced in order to protect services as far as possible. It has been agreed in the MTFs that this reserve will be fully utilised by 2017/18.

Uncertainties remain in the level of funding that will be available to the Council over the medium term. During the 2015/16 financial year, the Council required £25.0m of savings to balance the budget, comprising of £12.5m Government funding reductions and £12.5m of demographic pressures.

As part of its recent Budget, the Government confirmed its offer of a four year Finance Settlement. This could provide clarity over the level of funding the Council can expect over this period, and could potentially aid financial planning. The Council will need to

approve an 'Efficiency Plan' by the 14 October 2016 in order to qualify for this offer. However, details of what this offer includes have yet to be released. The situation is being closely monitored and Members will be kept informed of any developments before a final decision is required.

Like the vast majority of other Councils, Peterborough has levied the Adult Social Care precept for 2016/17 in order to relieve pressure on Adult Social Care budgets and to protect vulnerable adults in the community. Whilst the introduction of the precept is welcomed, the Council remains concerned that demand for services will surpass the amounts that can be raised through this mechanism. Officers are focused on ensuring that demand for services is monitored and that management action is taken where necessary to remain within budget.

Over the next few years, there will be fundamental changes to the way that Local Government is funded. By 2020, a system of 100% Business Rates retention will have been implemented, replacing the system of partial retention and Revenue Support Grant. It is not currently known what the financial impact will be on Peterborough, however, it is anticipated that there will be increased volatility in income as the Council becomes the sole owner of Business Rate cash flows, particularly with regard to appeals.

New Homes Bonus is set to be significantly reduced, with a partial redistribution via the Improved Better Care Fund. As different funding methodologies are used for the reallocation of this funding, the Council's income is likely to reduce as cash will no longer be allocated relative to housing growth as previously forecast.

The government is talking to councils across the UK about devolution, where certain powers and responsibilities are transferred from central government to a particular region. Councillors debated a proposal for a Combined Authority for Peterborough and Cambridgeshire which would include a new £20million annual fund for the next 30 years to support economic growth, development of local infrastructure and jobs; a new £170million housing fund to be invested over the next five years to build more and a wider mix of homes; to work with government to secure a Peterborough Enterprise Zone; and investment in a Peterborough University to name but a few areas. A consultation on the devolution proposals was held between 8 July and 23 August 2016 and this feedback will inform both councillors and the government. The Council will be meeting in late October and early November to decide whether to go ahead with the proposal.

14 Summary

The Council continues to provide services that matter to the residents of Peterborough against the challenges of reduced funding and growing population. This is being achieved through finding innovative ways of working, and adopting an 'invest to save' approach, so that services are improved and drastic cuts to services are avoided. The Council is working towards becoming a self-sufficient council through greater levels of commercialisation being applied to all activities it undertakes.

The Council approved the revenue and capital budget requirement for 2015/16 in its MTFs. The budget supported the Council's key priorities and included £25.0m of savings, comprising £12.5m of pressures and £12.5m of grant reductions.

The Council's earmarked reserves have improved in the year but the majority of these balances will be required during 2016/17 and 2017/18. The Council's new Grant Equalisation Reserve will serve to mitigate the impact of significant funding cuts and will allow officers the time to address future financial issues in a measured and strategic manner.

The Council has successfully managed the financial challenges during 2015/16 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 contribution to reserves to meet future year's challenges.

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 and performance of the Council.

John Harrison
Corporate Director - Resources

Independent Auditors' Report to the Members of Peterborough City Council

Opinion on the Authority's financial statements

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 to 47,
- Collection Fund and the related notes 1 to 4, and
- Statement of Accounting Policies

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Peterborough City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's

members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been

consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Peterborough City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Peterborough City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to

review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Peterborough City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the

whether Peterborough City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Peterborough City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Peterborough City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Signed: _____

Date: _____

Janet Dawson
for and on behalf of Ernst & Young LLP, Appointed Auditor
London

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 2016 was approved at the meeting of the Audit Committee on 22 September 2016.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

Howard Fuller

Date:

September 2016

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 16 to 93 present a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Corporate Director:
Resources:

Date:

John Harrison

September 2016

Comprehensive Income and Expenditure Statement

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.

2014/15			Comprehensive Income & Expenditure Statement (CIES)				2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes (From Page 20)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		
1,702	(732)	970	Central Services to the Public		4,501	(1,167)	3,334		
442	-	442	Court Services		456	-	456		
10,691	(2,157)	8,534	Cultural & Related Services		11,617	(2,155)	9,462		
229,262	(165,183)	64,079	Education & Children's Services	1, 6	226,878	(167,232)	59,646		
18,805	(6,596)	12,209	Environmental & Regulatory Services		20,383	(7,292)	13,091		
24,811	(5,975)	18,836	Highways & Transport Services		26,354	(6,499)	19,855		
85,192	(78,382)	6,810	Other Housing Services		83,337	(78,517)	4,820		
10,121	(4,437)	5,684	Planning Services		11,912	(4,859)	7,053		
66,699	(16,390)	50,309	Adult Social Care	2, 6	64,483	(20,032)	44,451		
8,991	(9,466)	(475)	Public Health		9,864	(10,218)	(354)		
1,716	(59)	1,657	Corporate & Democratic Core	3, 4	5,332	(1,891)	3,441		
-	(6,627)	(6,627)	Non Distributed Costs		-	(1,755)	(1,755)		
458,432	(296,004)	162,428	Cost of Services	15	465,117	(301,617)	163,500		
2,943	(2,916)	27	Other Operating Income & Expenditure	9	5,820	(3,718)	2,102		
63,087	(6,585)	56,502	Financing & Investment Income & Expenditure	10,11	33,584	(6,211)	27,373		
6,792	(186,857)	(180,065)	Taxation & Non-Specific Grant Income & Expenditure	12	7,126	(164,234)	(157,108)		
531,254	(492,362)	38,892	(Surplus) / Deficit on Provision of Services	15	511,647	(475,780)	35,867		
		(19,343)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			3,320		
		51,438	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			(50,758)		
		32,095	Other Comprehensive Income & Expenditure				(47,438)		
		70,987	Total Comprehensive Income & Expenditure				(11,571)		

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 16. 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, page 41.

Movement in Reserves during 2014/15 and 2015/16	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
	16	£000	£000	£000	£000	£000	£000	£000	£000
<i>Balance at 1 April 2014</i>		(6,000)	(7,119)	(21,452)	-	(1,319)	(35,890)	17,965	(17,925)
<i>Deficit / (Surplus) on Provision of Services</i>		38,062	830	-	-	-	38,892	-	38,892
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	32,095	32,095
Total Comprehensive Income & Expenditure		38,062	830	-	-	-	38,892	32,095	70,987
<i>Adjustments between accounting basis & funding basis under regulations</i>		(39,808)	-	-	-	(127)	(39,935)	39,935	-
Net Increase / Decrease before Transfers to Earmarked Reserves		(1,746)	830	-	-	(127)	(1,043)	72,030	70,987
<i>Transfers to / (from) Earmarked Reserves</i>		1,746	-	(1,746)	-	-	-	-	-
Increase / (Decrease) in 2014/15		-	830	(1,746)	-	(127)	(1,043)	72,030	70,987
Restated Balance at 31 March 2015 Carried Forward		(6,000)	(6,289)	(23,198)	-	(1,446)	(36,933)	89,995	53,062
Balance at 1 April 2015		(6,000)	(6,289)	(23,198)	-	(1,446)	(36,933)	89,995	53,062
<i>Deficit / (Surplus) on Provision of Services</i>		35,761	106	-	-	-	35,867	-	35,867
<i>Other Comprehensive Income & Expenditure</i>		-	-	-	-	-	-	(47,438)	(47,438)
Total Comprehensive Income & Expenditure		35,761	106	-	-	-	35,867	(47,438)	(11,571)
<i>Adjustments between accounting basis & funding basis under regulations</i>		(42,770)	-	-	(1,251)	440	(43,581)	43,581	-
Net Increase before Transfers to Earmarked Reserves		(7,009)	106	-	(1,251)	440	(7,714)	(3,857)	(11,571)
<i>Transfers to / (from) Reserves</i>		7,009	-	(7,009)	-	-	-	-	-
Increase / (Decrease) in 2015/16		-	106	(7,009)	(1,251)	440	(7,714)	(3,857)	(11,571)
Balance at 31 March 2016 Carried Forward		(6,000)	(6,183)	(30,207)	(1,251)	(1,006)	(44,647)	86,138	41,491

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

31 March 2015 £000	Balance Sheet	Notes	31 March 2016 £000
575,128	Property, Plant & Equipment	18	584,428
33,031	Investment Property	19	31,770
6,758	Intangible Assets	20	10,989
45	Long Term Investments	28, 29	-
2,993	Long term Debtors	28, 29	1,780
617,955	Long Term Assets		628,967
59	Short Term Investments	28	2,230
296	Inventories	31	301
50,084	Short Term Debtors	32	65,018
7,870	Cash & Cash Equivalents	29, 40	11,634
-	Current Intangible Asset	33	218
221	Assets Held for Sale	21	298
58,530	Current Assets		79,699
(37,524)	Short Term Borrowing	28	(43,482)
(78,367)	Short Term Creditors	35	(76,036)
(6,835)	Provisions	34	(7,761)
(122,726)	Current Liabilities		(127,279)
(279,022)	Long Term Creditors	7	(239,364)
(419)	Provisions	34	(303)
(271,254)	Long Term Borrowing	28	(322,717)
(38,376)	Other Long Term Liabilities	26, 27, 28, 29	(36,664)
(17,750)	Capital Grants Receipts in Advance	36	(23,630)
(606,821)	Long Term Liabilities		(622,678)
(53,062)	Net (Liabilities) / Assets		(41,491)
(36,933)	Usable Reserves	16	(44,647)
89,995	Unusable Reserves	16	86,138
53,062	Total Reserves		41,491

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.

2014/15 £000	Cash Flow Statement	Notes	2015/16 £000
38,892	Net (Surplus) / Deficit on the Provision of Services		35,867
(22,122)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(35,069)
(36,619)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(17,837)
(19,849)	Net Cash Flows from Operating Activities		(17,039)
107,672	Investing Activities	38	76,091
(92,904)	Financing Activities	39	(62,816)
(5,081)	Net (Increase) / Decrease in Cash & Cash Equivalents		(3,764)
2,789	Cash & Cash Equivalents at the Beginning of the Reporting Period		7,870
5,081	Increase / (Decrease) in Cash and Cash Equivalents		3,764
7,870	Cash & Cash Equivalents at the end of the Reporting Period	40	11,634

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2015/16 and for the previous financial year 2014/15 follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment			(180,606)
Academy figure recouped for 2015/16			63,681
Total DSG after Academy recoupment for 2015/16			(116,925)
Brought forward from 2014/15			(5,511)
Carry forward to 2016/17 agreed in advance			1,801
Agreed initial budgeted distribution in 2015/16	(37,432)	(83,203)	(120,635)
In year adjustments	59	-	59
Final budgeted distribution for 2015/16	(37,373)	(83,203)	(120,576)
Less actual central expenditure	33,427	-	33,427
Less actual ISB deployed to schools	-	83,203	83,203
Plus Council contribution for 2015/16	-	-	-
Carry Forward to 2016/17	(3,946)	-	(3,946)
Total amount carried forward			(5,747)

The Council's expenditure on running schools is funded primarily by grant monies provided by the Education Funding Agency, 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 and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget

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

Schools Budget Funded by Dedicated Schools Grant	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)

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2015/16 was £12.0m (2014/15 Nil) of which £6.4m is a pooled fund shown within the Adult Social Care line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £1.3m directly received capital funding and £4.3m retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2015/16 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 CIES of £0.9m (2014/15 £0.9m).

Integrated Community Equipment Services (ICES)

The annual agreement for 2015/16 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 (2014/15 £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 £1.2m (2014/15 £1.1m) 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 were the Council's external auditors for 2014/15, and Ernst and Young LLP (EY) are the Council's new external auditors for 2015/16 until at least 2017/18.

2014/15 £000	External Audit Costs	2015/16 £000
179	Fees payable with regard to external audit services carried out by the appointed auditor *	134
10	Other services provided by the previously appointed auditor PricewaterhouseCoopers (audit of Teachers Pensions return)	8
189	Total	142

* The fees for 2015/16 are the scale fees agreed by the Audit Commission of £108k for the audit, £14k for grant certification, and an additional amount of £12k in relation to extra work anticipated to be undertaken by EY.

4 Member's Allowances

The following amounts were paid to members of the Council.

2014/15 £000	Member's Allowances	2015/16 £000
663	Allowances	664
4	Expenses	2
667	Total	666

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees as part of the voluntary redundancy programme in 2015/16, incurring liabilities of £0.4m (£1.1m 2014/15). 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:

2014/15 £000		2015/16 £000
-	Termination Benefits	15
285	Central Services to the Public	124
102	Education & Children's Services	24
43	Environmental & Regulatory Services	-
146	Highways & Transport Services	16
105	Planning Services	188
171	Adult Social Care	-
78	Public Health	-
78	Corporate & Democratic Core	-
148	Support Services (<i>recharged to the services</i>)	59
1,078	Total	426

The number of packages agreed and the value of those packages are analysed in the following tables, in bands of £20k up to £80k.

Termination and Exit Packages 2015/16							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory	Voluntary	Total	Pension Strain inc. in total *
				£000	£000	£000	
1	8	9	£0 - £19,999	1	58	59	2
-	9	9	£20,000 - £39,999	-	260	260	24
-	1	1	£40,000 - £59,999	-	44	44	15
-	1	1	£60,000 - £79,999	-	63	63	-
-	19	20	Total	1	425	426	41

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
1	43	44	Total	2	1,076	1,078	167

* 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 2015/16 the Council paid £6.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay up to 31 August 2015 and 16.5% thereafter. The figures for 2014/15 were £5.5m 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 included in Note 7. The Council is not liable to the scheme for any other entities' obligations under the plan.

NHS Pension Scheme

This scheme applies to some of the former employees of the Pooled Partnership with NHS Peterborough for the delivery of Adult Social Care and the employees of the Public Health Service. Details of the benefits payable under these provisions can be found on the NHS Pensions website at 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 2015/16 the Council paid £0.3m to NHS Pensions in respect of employee's retirement benefits, representing 14.0% of pensionable pay. The figures for 2014/15 were £0.3m and 14.0%.

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 pension's liabilities with investment assets. Employee contribution rates are tiered according to employee's pay band as set out below:

Pay Band 2015/16	Contribution Rate 2015/16	Pay Band 2014/15	Contribution Rate 2014/15
Up to £13,600	5.5%	Up to £13,500	5.5%
£13,601 - £21,200	5.8%	£13,501 - £21,000	5.8%
£21,201 - £34,400	6.5%	£21,001 - £34,000	6.5%
£34,401 - £43,500	6.8%	£34,001 - £43,000	6.8%
£43,501 - £60,700	8.5%	£43,001 - £60,000	8.5%
£60,701 - £86,000	9.9%		
£86,001 - £101,200	10.5%	£85,001 - £100,000	10.5%
£101,201 - £151,800	11.4%	£100,001 - £150,000	11.4%
Over £151,801	12.5%	Over £150,000	12.5%

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.

2014/15 £000	Comprehensive Income & Expenditure Statement	2015/16 £000
	Cost of Services:	
12,748	Current service cost	17,319
64	Past service cost	1
(6,771)	Effect of settlements	(1,728)
	Financing & Investment Income & Expenditure	
(13,513)	Interest Income on Scheme Assets	(11,316)
22,879	Interest Cost on Defined Benefit Obligation	20,287
15,407	Total post-employment benefit charged to the Deficit on the Provision of Services	24,563
	Other employment benefit charged to the CIES	
(23,732)	Return on plan assets (excluding the amount included in the net interest expense)	16,953
85,805	Actuarial gains and losses arising on changes in financial assumptions	(61,133)
(10,535)	Other Experience	(6,467)
(100)	Adjustment to actuarial estimate contribution	(111)
51,438	Total Remeasurements Recognised in CIES	(50,758)
66,845	Total post-employment benefit charged to the CIES	(26,195)
	Movement in Reserves Statement	
(66,845)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	26,195
	Actual amount charged against the General Fund Balance for pensions in the year:	
12,105	Employer's contributions payable to scheme	13,463
(54,740)	Total Movement in Reserves Statement	39,658

31 March 2015 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2016 £000
352,521	Fair Value of Employer Assets	349,105
(610,397)	Present Value of Funded Liabilities	(566,520)
(21,146)	Present Value of Unfunded Liabilities	(21,949)
(279,022)	Total	(239,364)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £239.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 46. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2015 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2016 £000
314,791	Opening fair value of Scheme Assets	352,521
13,513	Interest Income	11,316
	Remeasurement gain / (loss)	
23,732	Return on plan assets, excluding the amount included in the net interest expense	(16,953)
(1,262)	Effect of Settlements	(203)
12,105	Contributions from Employer	13,463
100	Adjustment for Actuarial estimated Employer Contributions	111
3,308	Contributions from Employees	3,617
(13,766)	Benefits Paid	(14,767)
352,521	Closing Fair Value of Scheme Assets	349,105

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

31 March 2015 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2016 £000
539,073	Opening Liability at 1 April	631,543
-	- Contribution Adjustment	-
12,748	Current Service Cost	17,319
22,879	Interest Cost	20,287
3,308	Contributions from Scheme Participants	3,617
85,805	Actuarial gains/losses arising from changes in financial assumptions	(61,133)
(10,535)	Other experience	(6,467)
(8,033)	Liabilities Extinguished on Settlements	(1,931)
64	Past Service Costs including curtailments	1
(13,766)	Benefits Paid	(14,767)
631,543	Closing Liability at 31 March	588,469

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, Investment Funds and Unit Trusts.

31 March 2015 £000	Local Government Pension Scheme Assets comprised	31 March 2016 £000
	Equity Securities	
34,915	Consumer	8,154
21,612	Manufacturing	6,822
9,932	Energy and Utilities	5,953
28,831	Financial Institutions	12,923
17,163	Health and Care	5,562
15,939	Information Technology	2,802
<u>128,392</u>	Sub-total equity	<u>42,216</u>
24,993	Private Equity:	27,141
	Investment Funds and Unit Trusts	
108,596	Equities	189,720
53,750	Bonds	52,826
26,227	Other	30,051
<u>188,573</u>	Sub-total Investment Funds and Unit Trusts	<u>272,597</u>
<u>10,563</u>	Cash and Cash Equivalents	<u>7,151</u>
<u>352,521</u>	Total Assets	<u>349,105</u>

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 2015	Long-term expected rate of return on assets in the scheme	31 March 2016
3.2%	Equity Investments	3.5%
3.2%	Bonds	3.5%
3.2%	Property	3.5%
3.2%	Cash	3.5%
	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	
2.4%	Rate of inflation	2.2%
2.4%	Rate of increase in pensions	2.2%
4.3%	Rate of increase in salaries	4.2%
3.2%	Rate for discounting scheme liabilities	3.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 45 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% in 2013/14 to 16.3%) along with a cash lump sum into the fund. The Council anticipates to pay £11.7m expected contributions to the scheme in 2016/17 along with a lump sum cash payment of £2.3m. 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 actuary will be carrying out the next triennial valuation of the fund during 2016 the results of which will be available in time for the 2017/18 financial year.

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 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.

2014/15 Number of Employees	Remuneration Band	2015/16 Number of Employees
72	£50,000 - £54,999	62
37	£55,000 - £59,999	39
26	£60,000 - £64,999	22
22	£65,000 - £69,999	26
12	£70,000 - £74,999	15
8	£75,000 - £79,999	15
7	£80,000 - £84,999	8
7	£85,000 - £89,999	7
2	£90,000 - £94,999	3
3	£95,000 - £99,999	4
1	£100,000 - £104,999	1
2	£110,000 - £114,999	-
1	£115,000 - £119,999	1
2	£120,000 - £124,999	2
-	£130,000 - £134,999	1
1	£140,000 - £144,999	1
1	£145,000 - £149,999	-
1	£170,000 - £174,999	1
1	£175,000 - £179,999	-

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 2015/16 was approved on 4 March 2015.

Shared Senior Officers

The Council has two shared senior officer posts with Cambridgeshire County Council. The associated costs and income to the Council are detailed below. These reflect transactions between the two councils, including fees, and do not necessarily reflect amounts received by the individuals themselves. As the Chief Executive's employment contract is with the Council, their full salary for the shared post is disclosed in the Senior Employees Remuneration table on the next page.

- 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 (CCC) for the salary. The cost to the service in 2015/16 was £52,332 (2014/15 £4,361).
- The Chief Executive is being seconded part time to CCC for a year from 19 October 2015, who contribute half the salary costs. The income to the Council for 2015/16 was £49,348 (2014/15 Nil).

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 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	2015/16	£169,106	-	-	£4,447	£173,553	£27,514	£201,067
	2014/15	£169,265	-	-	£5,000	£174,265	£27,738	£202,003
Corporate Director: Resources • The post holder was Executive Director Resources until 1 March 2015	2015/16	£140,058	-	-	£4,750	£144,808	£22,844	£167,652
	2014/15	£140,217	-	-	£1,450	£141,667	£23,004	£164,671
Corporate Director: People & Communities • 2014/15 the post holder was Director of Communities until 1 March 2015	2015/16	£134,081	-	-	-	£134,081	£21,868	£155,949
	2014/15	£116,095	-	-	£200	£116,295	£19,060	£135,355
Corporate Director: Growth & Regeneration	2015/16	£120,345	-	-	£200	£120,545	£19,616	£140,161
	2014/15	£120,345	-	-	-	£120,345	£19,616	£139,961
Director of Governance	2015/16	£96,844	-	-	£3,450	£100,294	£15,795	£116,089
	2014/15	£95,475	-	-	£2,270	£97,745	£15,562	£113,307

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

2. Payment for election duties depend on the elections overseen in the year. During 2014/15 there were European Elections as well as local elections, during 15/16 there was a General Election as well as local elections.

3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.
N.B There were no Bonuses, Expenses Allowances, or Benefits in Kind payable during the 2015/16 or 2014/15.

The previous table reflects the current senior management structure. The following table includes senior employees no longer with the Council, but paid during 2014/15 or 2015/16.

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	2015/16	-	-	-	-	-	-	-
<ul style="list-style-type: none"> The post holder was Executive Director: Children's services until 1 March 2015 	2014/15	£113,818	-	-	£200	£114,018	£18,677	£132,695
Executive Director of Adult Social Care, Health and Well Being	2015/16	-	-	-	-	-	-	-
<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 	2014/15	£128,653	-	£49,929	£200	£178,782	£21,112	£199,894

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

2. Payment for election duties depend on the elections overseen in the year. During 2014/15 there were European Elections as well as local elections, during 15/16 there was a General Election as well as local elections.

3. The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.

N.B There were no Bonuses, Expenses Allowances, or Benefits in Kind payable during the 2015/16 or 2014/15.

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

2014/15	Other Operating Income & Expenditure	2015/16
£000		£000
445	Parish Council Precepts	514
593	Drainage & Flood Levies	601
2	Payments to the Government Housing Capital Receipts Pool (Note 16)	3
9	Net Losses on Disposal of Non-Current Assets	2,103
(1,022)	Gains on Right To Buy Receipts	(1,119)
27	Total	2,102

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

2014/15	Financing & Investment Income & Expenditure	2015/16
£000		£000
13,233	Interest Payable & Similar Charges (Note 28)	15,053
(239)	Interest Receivable & Similar Income (Note 28)	(343)
9,366	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	8,971
1,549	(Gains) / Losses on Trading Operations - (Note 11)	(888)
1,898	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	564
614	Impairment of Current Assets and Long Term Debtors	873
30,081	De-recognition of Subsidiary Assets	3,143
56,502	Total	27,373

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

11 Trading Operations

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

The Environment Capital line incorporates a range of schemes which are designed to both generate a profit for the Council and deliver aspects of the Council's Environment Capital vision.

Trading Operations 2015/16	Expenditure	Income	Deficit / (Surplus)
	£000	£000	£000
Industrial Properties	369	(1,498)	(1,129)
Commercial Properties	654	(1,775)	(1,121)
Market Properties	356	(407)	(51)
Total for Properties	1,379	(3,680)	(2,301)
Westcombe Industries	1,130	(644)	486
Environment Capital	1,696	(1,606)	90
Other Traded Services	2,826	(2,250)	576
Sub Total	4,205	(5,930)	(1,725)
Capital Charges Adjustment	837	-	837
Total for Trading Units	5,042	(5,930)	(888)

Trading Operations 2014/15	Expenditure	Income	Deficit / (Surplus)
	£000	£000	£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	4,509	(1,369)	3,140
Other Traded Services	5,697	(2,422)	3,275
Sub Total	7,346	(6,346)	1,000
Capital Charges Adjustment	549	-	549
Total for Trading Units	7,895	(6,346)	1,549

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

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

2014/15	Taxation & Non-Specific Grant Income	2015/16
£000		£000
(58,947)	Council Tax Income	(60,204)
237	NDR Levy Payment	446
6,555	NDR Tariff Payment	6,680
(45,098)	NDR Income	(47,141)
(97,253)	Total Taxation Income	(100,219)
	Non-Specific Government Grants	
(45,972)	Revenue Support Grant	(34,319)
(663)	Council Tax Freeze Grant	(677)
(4,869)	New Homes Bonus	(6,458)
(1,510)	Section 31 Grant	(1,979)
(70)	Local Services Support Grant	(41)
-	NDR Additional Growth Pilot	(1,412)
(53,084)	Total Non-Specific Grants	(44,886)
(29,728)	Capital Grants & Contributions (Note 25)	(12,003)
(180,065)	Total Income	(157,108)

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.

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2015/16 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 five declarations of related party interests were not received by 13 September 2016. Of these, one is still a councillor after the May 2016 elections.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2015/16 is shown in Note 4. Members have been consulted over potential related parties and five 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 construction company, a property company, two media companies, a training company and Peterborough Environmental City Trust. The transactions with all these companies are included in the following table.

Organisation	Member	Cost to / (Receipt to) the Council £000	Balance Outstanding £000
Nadeem Construction Ltd	Cllr M Nadeem	160	14
Peterborough Environmental City Trust	Cllr N Sandford	66	15
Broadway Properties	Cllr J Peach	13	-
Worldwide Training Partnership	Cllr S Scott	30	-
Cap Radio Production and Media Buying Services Ltd	Cllr W Fitzgerald	2	-
Peterborough Community Radio Ltd	Cllr W Fitzgerald	(2)	-

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, legal services to Fenland District Council and a shared internal audit service with Cambridge City Council and South Cambridgeshire District Council. It provides 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 panels installations which in 2015/16 was accessed by Colchester Borough Council, Leicester City Council and Luton 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 Ecological Services, Flood and Water Services and 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 the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, and providing access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity. However, the Council remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

The Mayor of Peterborough's Charity Fund has been registered with the Charity Commission in this financial year as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2015/16 the amount raised was £35k.

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

Members and officers are appointed by the council as representatives to various local and national bodies where related party transactions could arise. The complete List of Outside Bodies is in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>) and is also available for public inspection

at the Town Hall during office hours. 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 Expenditure - 2015/16

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Local Government Association (LGA)	Cllr J Holdich Cllr W Fitzgerald Cllr M Jamil Cllr G Elsey	44	-
Eastern Shires Purchasing Organisation	Cllr J Holdich Cllr D Seaton	184	-
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	472	89
Greater Cambridgeshire & Greater Peterborough Local Enterprise Partnership	Cllr J Holdich	33	-
Opportunity Peterborough	Cllr J Holdich Cllr W Fitzgerald Cllr P Hillier	991	87
P'boro and Stamford NHS Foundation Trust	Cllr W Fitzgerald	64	-
Vivacity	Cllr L Serluca Cllr G Casey	2,605	32
North Level Drainage Board	Cllr J Holdich Cllr P Hillier Cllr J Okonkowski Cllr J Stokes Cllr R Brown	286	-
Peterborough Association for the Blind	Cllr J Fox	6	-

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
Welland and Deeping Internal Drainage Board	Cllr J Holdich	156	-
Italian Community Assn.	Cllr B Rush M D'Andrea	14	-
Youth Justice Board	no representative listed	18	1
London Stanstead Cambridge Consortium	Cllr J Holdich	8	-
Woodston Community Association	Cllr L Serluca	8	-
Cambridgeshire and Peterborough Fire Authority	Cllr D Over Cllr J Peach Cllr M Jamil Cllr C Swift	5	-

Related Parties Expenditure - 2014/15 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	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	1,112	25

Organisation	Council Representative	Cost to the Council £000	Balance Outstanding £000
	Cllr G Elsey Cllr J Holdich		
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 Hillier 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	-

The Council also received income from some of the organisations. The following tables detail the amounts included in the Comprehensive Income and Expenditure Statement.

Related Parties – Income – 2015/16

Organisation	Council Representative	Receipt to the Council £000	Balance Outstanding £000
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	1,372	816
Opportunity Peterborough	Cllr J Holdich Cllr W Fitzgerald Cllr P Hillier	9	-
P'boro and Stamford NHS Foundation Trust	Cllr W Fitzgerald	99	-

Organisation	Council Representative	Receipt to the Council £000	Balance Outstanding £000
Vivacity	Cllr L Serluca Cllr G Casey	1,230	46
Safer Peterborough Partnership	no representative listed	13	-
Peterborough Investment Partnership	Cllr P Hillier Cllr J Holdich	1,700	-*
Empower Community Interest Company Limited	Cllr G Elsey	28	5
Peterborough Cathedral Trust	Cllr D Over	6	6

*Loan notes due to the Council, accounted for as Deferred Capital Receipts, see Note 16, page 46.

Related Parties – Income – 2014/15 Comparators

Organisation	Council Representative	Receipt to the Council £000	Balance Outstanding £000
Cross Keys Homes	Cllr W Fitzgerald Cllr J Holdich	2,874	248
Opportunity Peterborough	Cllr M Cereste Cllr G Elsey Cllr J Goodwin	49	34
P'boro and Stamford NHS Foundation Trust	Cllr D Lamb	67	164
Vivacity	Cllr L Serluca Cllr G Casey	1,196	424

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 for 2015/16 was £197,000 (£330,000 2014/15). There was no additional funding for seconded staff in 2015/16 (£12,440 2014/15). These contributions 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 2016 are £221,363 (31 March 2015, £195,794), and the Company made a net surplus of £25,569 in 2015/16 (2014/15, surplus of £37,374). 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 2016 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

The registered name of the limited liability partnership is Peterborough Investment Partnership LLP and the members of the limited liability partnership are Peterborough City Council and Lucent Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and Lucent Peterborough Partnership SARL and was incorporated on 24 December 2014. The Partnership exists to secure regeneration of key city centre sites with capital market investors. The net liabilities of the Partnership at 31 March 2016 are £305,037 (no assets at 31 March 2015) and the Partnership made a net loss in year of £305,237 (no transactions at 31 March 2015), in accordance with its business plan. The accounts can be obtained from Peterborough Investment Partnership LLP Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES.

Empower Community Interest Company (CIC)

The registered name of the company is Empower Peterborough Community Interest Company and the members are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. The net assets of the company are £27,432 and it made a profit in year of £27,430. The accounts can be obtained from Empower Peterborough Community Interest Company, Norose Company Secretarial Services Ltd, 3 More London Riverside, London, SE1 2AQ.

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. 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 2015/16	Public Health £000	Chief Executives £000	People & Communities £000	Governance £000	Growth & Regeneration £000	Resources £000	2015/16 Total £000
Fees, charges & other service income	(2)	(48)	(43,320)	(7,756)	(4,366)	(29,225)	(84,717)
Government Grants	(10,215)	-	(147,194)	(538)	(1,181)	(75,183)	(234,311)
Total Income	(10,217)	(48)	(190,514)	(8,294)	(5,547)	(104,408)	(319,028)
Employee expenses	660	261	125,206	7,538	4,229	6,582	144,476
Other service expenses	9,398	97	140,561	5,807	12,780	155,931	324,574
Total Expenditure	10,058	358	265,767	13,345	17,009	162,513	469,050
Net Expenditure	(159)	310	75,253	5,051	11,462	58,105	150,022
Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement							
Net Expenditure in the Portfolio Analysis							150,022
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis							44,452
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement							(30,974)
Cost of Services in Comprehensive Income and Expenditure Statement							163,500

<i>Restated Portfolio Income & Expenditure for 2014/15*</i>	<i>Public Health £000</i>	<i>Chief Executives £000</i>	<i>People & Communities £000</i>	<i>Governance £000</i>	<i>Growth & Regeneration £000</i>	<i>Resources £000</i>	<i>2014/15 Total £000</i>
<i>Fees, charges & other service income</i>	<i>(22)</i>	<i>-</i>	<i>(28,496)</i>	<i>(7,199)</i>	<i>(3,097)</i>	<i>(30,304)</i>	<i>(69,118)</i>
<i>Government Grants</i>	<i>(9,445)</i>	<i>-</i>	<i>(157,232)</i>	<i>(275)</i>	<i>(1,655)</i>	<i>(82,047)</i>	<i>(250,654)</i>
<i>Total Income</i>	<i>(9,467)</i>	<i>-</i>	<i>(185,728)</i>	<i>(7,474)</i>	<i>(4,752)</i>	<i>(112,351)</i>	<i>(319,772)</i>
<i>Employee expenses</i>	<i>1,033</i>	<i>275</i>	<i>121,760</i>	<i>7,743</i>	<i>4,375</i>	<i>5,572</i>	<i>140,758</i>
<i>Other service expenses</i>	<i>7,873</i>	<i>196</i>	<i>139,437</i>	<i>5,960</i>	<i>13,793</i>	<i>169,794</i>	<i>337,053</i>
<i>Total Expenditure</i>	<i>8,906</i>	<i>471</i>	<i>261,197</i>	<i>13,703</i>	<i>18,168</i>	<i>175,366</i>	<i>477,811</i>
<i>Net Expenditure</i>	<i>(561)</i>	<i>471</i>	<i>75,469</i>	<i>6,229</i>	<i>13,416</i>	<i>63,015</i>	<i>158,039</i>
<i>Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</i>							
<i>Net Expenditure in the Portfolio Analysis</i>							<i>158,039</i>
<i>Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis</i>							<i>40,519</i>
<i>Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement</i>							<i>(36,130)</i>
<i>Cost of Services in Comprehensive Income and Expenditure Statement</i>							<i>162,428</i>

*2014/15 figures have been restated to reflect the organisational structure in place in 2015/16

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 2015/16	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	(84,436)	(27,941)	8,469	36,520	(67,388)	(9,588)	(76,976)
Interest & Investment Income	(281)	-	281	-	-	(343)	(343)
Income from Council Tax	-	-	-	-	-	(60,204)	(60,204)
NDR Income	-	-	-	-	-	(47,141)	(47,141)
Government Grants & Contributions	(234,311)	-	-	-	(234,311)	(56,887)	(291,198)
Total Income	(319,028)	(27,941)	8,750	36,520	(301,699)	(174,163)	(475,862)
Employee Expenses	144,476	1,439	(599)	-	145,316	9,570	154,886
Other Service Expenses	313,166	(4,142)	(26,913)	-	282,111	11,131	293,242
Support Services Recharges	-	28,001	-	(36,520)	(8,519)	446	(8,073)
Depreciation, Amortisation & Impairment	-	47,095	(804)	-	46,291	4,510	50,801
Interest Payments	11,408	-	(11,408)	-	-	15,053	15,053
Precepts & Levies	-	-	-	-	-	1,115	1,115
Payments to Housing Capital Receipts Pool	-	-	-	-	-	3	3
Loss on Disposal of Non-Current Assets	-	-	-	-	-	4,702	4,702
Total Expenditure	469,050	72,393	(39,724)	(36,520)	465,199	46,530	511,729
Deficit / (Surplus) on the Provision of Services	150,022	44,452	(30,974)	-	163,500	(127,633)	35,867

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) e.g. 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>Reconciliation to Subjective Analysis 2014/15 – Comparative Figures Table</i>	<i>Portfolio Analysis</i>	<i>Amounts not Reported to Mgmt ¹</i>	<i>Amounts not included in CIES ₂</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>	(68,920)	6,637	6,360	9,320	(46,603)	(9,262)	(55,865)
<i>Interest & Investment Income</i>	(198)	-	198	-	-	(239)	(239)
<i>Income from Council Tax</i>	-	-	-	-	-	(58,947)	(58,947)
<i>NDR Income</i>	-	-	-	-	-	(45,098)	(45,098)
<i>Government Grants & Contributions</i>	(250,654)	(5,859)	7,112	-	(249,401)	(82,812)	(332,213)
<i>Total Income</i>	(319,772)	778	13,670	9,320	(296,004)	(196,358)	(492,362)
<i>Employee Expenses</i>	140,758	(6,316)	(471)	-	133,971	9,836	143,807
<i>Other Service Expenses</i>	323,909	(5,807)	(36,185)	-	281,917	14,521	296,438
<i>Support Services Recharges</i>	-	-	-	(9,320)	(9,320)	-	(9,320)
<i>Depreciation, Amortisation & Impairment</i>	-	51,864	-	-	51,864	2,448	54,312
<i>Interest Payments</i>	13,144	-	(13,144)	-	-	13,233	13,233
<i>Precepts & Levies</i>	-	-	-	-	-	1,038	1,038
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	2	2
<i>Loss on Disposal of Non-Current Assets</i>	-	-	-	-	-	31,744	31,744
<i>Total Expenditure</i>	477,811	39,741	(49,800)	(9,320)	458,432	72,822	531,254
<i>Deficit / (Surplus) on the Provision of Services</i>	158,039	40,519	(36,130)	-	162,428	(123,536)	38,892

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16	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	(26,400)	-	-	26,400
Revaluation losses on Property Plant and Equipment	(13,153)	-	-	13,153
Movements in the fair value of Investment Properties	(564)	-	-	564
Amortisation of intangible assets	(4,475)	-	-	4,475
Capital grants and contributions	16,656	-	-	(16,656)
Revenue expenditure funded from capital under statute	(7,969)	-	-	7,969
Impairment of Financial Asset (Loans)	(71)	-	-	71
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(7,845)	-	-	7,845
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	5,378	-	-	(5,378)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	440	(440)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,010	(2,010)	-	-
Use of the reserve to finance new capital expenditure	-	1	-	(1)
Capital Receipts used for the repayment of loans	-	759	-	(759)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(3)	3	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(4)	-	4
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	1,700	-	-	(1,700)
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.	193	-	-	(193)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(24,563)	-	-	24,563
Employer's pensions contributions & direct payments to pensioners payable in the year	13,463	-	-	(13,463)
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	689	-	-	(689)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,494	-	-	(1,494)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	690	-	-	(690)
Total Adjustments	(42,770)	(1,251)	440	43,581

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
<i>Adjustments involving the Capital Adjustment Account:</i>				
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(23,340)	-	-	23,340
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	(8,597)	-	-	8,597
Impairment of Financial Asset (Loans)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(31,984)	-	-	31,984
<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	-	-	-	-
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
Capital grants & contributions unapplied from the CIES	669	-	(669)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	542	(542)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	2,903	(2,903)	-	-
Use of the reserve to finance new capital expenditure	-	2,905	-	(2,905)
Capital Receipts used for the repayment of loans	-	-	-	-
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
<i>Adjustments involving the Deferred Capital Receipts Reserve</i>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	7	-	-	(7)
<i>Adjustments involving the Pensions Reserve:</i>				
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)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	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
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
Adjustments for short-term compensated absences	253	-	-	(253)
Total Adjustments	(39,808)	-	(127)	39,935

- **Summary of Usable and Unusable Reserves**

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

<i>1 April 2014</i>	<i>Movement</i>	<i>31 March 2015</i>	Summary of Usable and Unusable Reserves	1 April 2015	Movement	31 March 2016
<i>£000</i>	<i>£000</i>	<i>£000</i>		£000	£000	£000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(7,119)	830	(6,289)	School's Balances	(6,289)	106	(6,183)
(21,452)	(1,746)	(23,198)	Specific Earmarked Reserves (Note 17)	(23,198)	(7,009)	(30,207)
-	-	-	Capital Receipts Reserve	-	(1,251)	(1,251)
(1,319)	(127)	(1,446)	Capital Grants Unapplied Account	(1,446)	440	(1,006)
(35,890)	(1,043)	(36,933)	Total Usable Reserves	(36,933)	(7,714)	(44,647)
			Unusable Reserves			
(110,466)	(8,410)	(118,876)	Revaluation Reserve	(118,876)	6,487	(112,389)
(101,884)	26,082	(75,802)	Capital Adjustment Account	(75,802)	34,076	(41,726)
(23)	4	(19)	Deferred Capital Receipts Reserve	(19)	(1,696)	(1,715)
481	(7)	474	Financial Instruments Adjustment Account	474	(193)	281
224,282	54,740	279,022	Pension Reserve	279,022	(39,658)	239,364
2,086	(126)	1,960	Collection Fund Adjustment Account	1,960	(2,183)	(223)
3,489	(253)	3,236	Accumulating Compensated Absences Adjustment Account	3,236	(690)	2,546
17,965	72,030	89,995	Total Unusable Reserves	89,995	(3,857)	86,138
(17,925)	70,987	53,062	Total Usable and Unusable Reserves	53,062	(11,571)	41,491

- **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.

2014/15 £000	Revaluation Reserve:	2015/16 £000
(110,466)	Balance at start of year	(118,876)
(25,089)	Upward revaluation of assets	(21,569)
5,746	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	24,889
1,924	Difference between fair value depreciation & historical cost depreciation	1,947
9,009	Release of revaluation gains on disposal	1,220
<u>(118,876)</u>	Balance at end of the year	<u>(112,389)</u>

- **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. 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.

2014/15 £000	Capital Adjustment Account:	2015/16 £000
(101,884)	Balance at start of year	(75,802)
23,340	Charges for depreciation & Impairment	26,400
19,194	Revaluation (gains) / losses on Property, Plant & Equipment	13,153
1,898	Movement in fair market value of Investment Properties	564
1,384	Amortisation of Intangible Assets	4,475
(35,019)	Capital Grants & Contributions that have been applied to Capital Financing	(16,656)
8,597	Revenue Expenditure Funded from Capital under Statue (REFCUS)	7,969
31,984	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	7,845
(10,916)	Provision for the Repayment of Debt (MRP)	(5,378)
	- Use of Capital Receipts to Repay Loans	(759)
	- Impairment of Financial Asset (Loans)	71
(542)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(440)
(1,924)	Depreciation & Impairment written down to Revaluation Reserve	(1,947)
(9,009)	Transfer of Revaluation Reserve on disposal	(1,220)
(2,905)	Transfer from Useable Capital Receipts	(1)
<u>(75,802)</u>	Balance at end of the year	<u>(41,726)</u>

- **Deferred Capital Receipts Reserve**

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

2014/15 £000	Deferred Capital Receipts Reserve:	2015/16 £000
(23)	Balance at start of year	(19)
	- Contribution to Deferred Capital Receipts Reserve – Fletton Quays Loan Notes	(1,700)
4	Transfer to the Capital Receipts Reserve upon receipt of cash	4
<u>(19)</u>	Balance at end of the year	<u>(1,715)</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.

2014/15 £000	Financial Instruments Adjustment Account:	2015/16 £000
481	Balance at start of year	474
	- Gains from Interest Not Paid on Loans Below Market Rate	(231)
(7)	Interest Paid on Short Term Loans	38
<u>474</u>	Balance at end of the year	<u>281</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.

2014/15 £000	Pensions Reserve:	2015/16 £000
224,282	Balance at start of year	279,022
51,438	Actuarial gains / losses on pension assets & liabilities (Note 7)	(50,758)
15,407	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)	24,563
(12,105)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(13,463)
<u>279,022</u>	Balance at end of the Year	<u>239,364</u>

- **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details on the Collection Fund, see page 75.

2014/15 £000	Collection Fund Adjustment Account:	2015/16 £000
2,086	Balance at start of year	1,960
(911)	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	(689)
785	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(1,494)
<u>1,960</u>	Balance at end of the Year	<u>(223)</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.

2014/15 £000	Accumulating Compensated Absences Adjustment Account:	2015/16 £000
3,489	Balance at start of year	3,236
(253)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(690)
<u>3,236</u>	Balance at end of the Year (Note 35)	<u>2,546</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 2015 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2016 £000	Purpose of the Earmarked Reserve
Departmental Reserves	6,717	(3,974)	1,882	(241)	4,384	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	3,601	-	346	-	3,947	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	1,150	(417)	693	-	1,426	School revenue reserves put aside for funding future school capital schemes.
Future Cities	2,074	(801)	-	-	1,273	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Capacity Building	8,894	(3,970)	944	241	6,109	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	(240)	510	-	524	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
Grant Equalisation Reserve	-	(98)	12,023	-	11,925	A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings.
Other	508	(46)	157	-	619	These include the Local Authority Mortgage Scheme, Building Control, Hackney Carriage Accounts, Salix Carbon Reduction and Parish Burial Reserves.
Total Reserves	23,198	(9,546)	16,555	-	30,207	

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18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2015/16	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2015 Gross Book Value	357,852	34,780	216,964	4,304	653	21,529	82,409	718,491
Historical Cost Adjustment	-	-	-	(3,322)	-	-	(3,012)	(6,334)
At 01 April 2015 Restated Gross Book Value	357,852	34,780	216,964	982	653	21,529	79,397	712,157
Additions	9,720	6,389	11,270	294	-	1	36,854	64,528
Revaluation increase / (decrease) recognised in the Revaluation Reserve	6,807	-	-	(79)	35	(16,520)	-	(9,757)
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(11,223)	-	-	-	-	(2,206)	-	(13,429)
Derecognition - Disposals	(6,928)	(5,961)	-	-	-	(98)	-	(12,987)
Reclassified Assets	202	-	-	-	-	-	(127)	75
Assets Under Construction Completed In Year	84,853	5,707	9,200	2	-	4	(107,406)	(7,640)
At 31 March 2016	441,283	40,915	237,434	1,199	688	2,710	8,718	732,947
Accumulated Depreciation and Impairment								
At 1 April 2015	(30,479)	(21,668)	(83,326)	(3,322)	-	(1,556)	(3,012)	(143,363)
Historical Cost Adjustment	-	-	-	3,322	-	-	3,012	6,334
At 01 April 2015 Restated	(30,479)	(21,668)	(83,326)	-	-	(1,556)	-	(137,029)
Depreciation Charge	(6,982)	(4,958)	(11,369)	-	-	-	-	(23,309)
Depreciation written out to the Revaluation Reserve	4,145	-	-	-	-	-	-	4,145
Depreciation written out to the (Surplus) / Deficit on Provision of Services	276	-	-	-	-	-	-	276
Impairment (losses) /reversals recognised in the Revaluation Reserve	597	-	-	(10)	-	1,550	-	2,137
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(2,801)	-	-	(288)	-	(2)	-	(3,091)
Derecognition - Disposals	2,451	5,901	-	-	-	-	-	8,352
At 31 March 2016	(32,793)	(20,725)	(94,695)	(298)	-	(8)	-	(148,519)
Net Book Value - At 31 March 2016	408,490	20,190	142,739	901	688	2,702	8,718	584,428
<i>Net Book Value - At 31 March 2015</i>	<i>327,375</i>	<i>13,122</i>	<i>133,638</i>	<i>983</i>	<i>653</i>	<i>19,972</i>	<i>79,395</i>	<i>575,128</i>

Comparative Movements in 2014/15

<i>Property, Plant & Equipment (PPE) – 2014/15</i>	<i>Other Land & Buildings</i>	<i>Vehicles, Plant & Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2014 Gross Book Value</i>	363,955	29,791	197,596	4,160	570	23,132	46,036	665,240
<i>Additions</i>	6,146	3,610	19,368	53	-	32	67,658	96,867
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	12,766	-	-	92	83	-	-	12,941
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(19,705)	-	-	-	-	-	-	(19,705)
<i>Derecognition - Disposals</i>	(31,770)	(90)	-	-	-	(878)	(36)	(32,774)
<i>Reclassified Assets</i>	(176)	(237)	-	-	-	(758)	-	(1,171)
<i>Assets Under Construction Completed In Year</i>	26,638	1,706	-	-	-	-	(31,251)	(2,907)
<i>At 31 March 2015</i>	357,854	34,780	216,964	4,305	653	21,528	82,407	718,491
<i>Accumulated Depreciation and Impairment</i>								
<i>At 1 April 2014</i>	(29,871)	(17,245)	(73,216)	(3,264)	-	(2,255)	(352)	(126,203)
<i>Depreciation Charge</i>	(7,185)	(4,475)	(10,110)	-	-	-	-	(21,770)
<i>Depreciation written out to the Revaluation Reserve</i>	3,918	20	-	-	-	-	-	3,938
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	484	27	-	-	-	-	-	511
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	2,503	-	-	-	-	(39)	-	2,464
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(1,255)	(204)	-	(58)	-	(47)	(6)	(1,570)
<i>Derecognition – Movement on Transfers</i>	-	150	-	-	-	741	(2,688)	(1,797)
<i>Derecognition - Disposals</i>	927	59	-	-	-	44	34	1,064
<i>At 31 March 2015</i>	(30,479)	(21,668)	(83,326)	(3,322)	-	(1,556)	(3,012)	(143,363)
<i>Net Book Value - At 31 March 2015</i>	327,375	13,112	133,638	983	653	19,972	79,395	575,128
<i>Net Book Value - At 31 March 2014</i>	334,084	12,546	124,380	896	570	20,877	45,684	539,037

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:

2014/15 £000	Investment Properties	2015/16 £000
35,047	Balance at start of year	33,031
157	Subsequent Expenditure (Note 25)	1,497
(275)	Disposals	(3,040)
(1,898)	Revaluations (Note 10)	(564)
-	To / from Property, Plant and Equipment	846
<u>33,031</u>	Balance at end of the Year	<u>31,770</u>

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out by the Council's external valuers, Wilks Head & Eve, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. There have been no change in the valuation techniques used during the year for investment properties.

The Council's investment properties are valued in accordance with the 'Fair Value Hierarchy', as follows:

- Level One – quoted prices in active markets for identical assets

- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

The fair value for investment properties (commercial units) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level Two in the fair value hierarchy.

There have been no transfers between levels one and two, and levels two and three during the year.

20 Intangible Assets

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

31 March 2015	Intangible Assets	Remaining Amortisation Period Years	31 March 2016
£000			£000
2,003	E-Service Software	1	835
2,335	Energy Performance Contract	5	1,807
-	Lot 3 Amey Contract	18	2,629
-	Lot 1 Viridor Contract	29	2,201
<u>4,338</u>	Total		<u>7,472</u>

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The movement on Intangible Assets balances during the year is shown in the following table:

31 March 2015	Intangible Assets	31 March 2016
£000	Balance at 1 April:	£000
9,125	Gross Carrying Amounts	12,383
(7,183)	Accumulated Amortisation	(5,625)
1,942	Net Carrying Amount at Start of the Year	6,758
	Additions	
3,234	Purchases (Note 25)	2,172
2,907	Assets Under Construction Completed in Year	6,651
-	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	-
(1,384)	Amortisation for the period	(4,475)
	Disposals	
(2,943)	De-recognition - Disposals	(296)
2,943	De-recognition - Disposals (Accumulated Amortisation)	179
237	Other Changes – Gross Carrying Amount	-
(178)	Other Changes - Amortisation	-
6,758	Net Carrying Amount at the End of Year	10,989
12,383	Gross Carrying Amounts	20,910
(5,625)	Accumulated Amortisation	(9,921)
6,758	Net Carrying Amount at the End of Year	10,989

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.

2014/15 £000	Assets Held for Sale - Current Assets	2015/16 £000
-	Balance at 1 April:	221
221	Property, Plant and Equipment Newly Classified as Assets Held Sale - Current Asset	155
-	Revaluation Losses	-
-	Impairment Losses	-
-	Property, Plant and Equipment Declassified as Held for Sale	(201)
-	Assets Sold	(53)
	Other movements:	
-	Additions (Note 25)	33
-	Assets Under Construction Completed In Year	143
221	Balance Outstanding	298

22 Capital Commitments

As at 31 March 2016 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 £32.9m, are part of the approved capital programme within the MTFs. The major commitments are:

Description of Contract / Capital Scheme	Value of contract	Value outstanding at 31/3/16
	£000	£000
Customer Experience Programme	350	280
Google Project	215	208
Broadband Infrastructure	2,064	670
Cardea Pavilion	1,058	514
Hampton Leys (Gardens) – Free School	21,844	18,952
St Michaels Primary School	4,052	3,172
Jack Hunt Secondary School Expansion	408	236
<u>Infrastructure:</u>		
Street Column Replacement	484	426
Wheel Yard – Public Realm	469	369
Bourges Boulevard Phase 2:		
Traffic Signals Works	453	317
Footpath Works	195	186
Roundabout Junction 20 Signalisation	528	265
Fengate Highway Improvements	158	158
Fletton Quays	207	155
Congestion Hotspot Improvements	121	101
Westwood Footbridge Parapet Replacements	200	113
Surface Dressing	104	102
Total	32,910	26,224

23 Revaluations

The Council has a rolling programme that ensures that all Property, Plant and Equipment is measured at current value and is revalued at least every four years. The valuations in 2015/16 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 current values are:

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

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

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

Revaluation Reserve see Note 16	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
	£000	£000	£000	£000
Valued at current value as at:				
31 March 2016	8,100	(21)	(14,566)	(6,487)
31 March 2015	8,424	16	(30)	8,410
31 March 2014	10,037	(6)	(2,920)	7,111
31 March 2013	(4,801)	(6)	(292)	(5,099)
Prior 31 March 2012	88,353	17	20,084	108,454
Total Valuation	110,113	-	2,276	112,389

* Assets Held for Sale includes values relating to Surplus Assets

24 Impairment Losses

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

During 2015/16 £3.1m of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This capital expenditure has been spent on improving the Council's assets which has not significantly increased the value of each individual building, under the current valuation methodology.

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.

2014/15 £000		2015/16 £000
365,748	Opening Capital Financing Requirement	422,532
29,208	Property, Plant and Equipment (Note 18)	27,674
67,658	Assets Under Construction (Note 18)	36,854
157	Investment Properties (Note 19)	1,497
-	Assets Held for Sale (Note 21)	33
3,234	Intangible Assets (Note 20)	2,172
8,597	Revenue Expenditure Funded from Capital under Statute (REFCUS)	7,969
-	Loans to Third Parties (Note 32)	5,569
(2,688)	Abortive costs of Renewable Energy Projects	(127)
	Sources of Finance	
(35,561)	Capital Grants & Contributions	(17,096)
(10,916)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(5,378)
-	Capital Receipts used to repay MRP	(759)
(2,905)	Capital Receipts	(1)
425,437	Closing Capital Financing Requirement	480,939
	Explanation of movements in year	
70,105	Increase in underlying need to borrow:	64,562
284	Assets acquired under finance leases	109
(10,916)	Decrease in underlying need to borrow:	(5,378)
-	MRP	(759)
-	Capital Receipts used to repay MRP	(759)
(2,688)	Abortive costs of Renewable Energy Projects	(127)
56,785	Increase in Capital Financing Requirement	58,407

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 2015/16 this expenditure is £8.0m compared with £8.6m in 2014/15. 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'.

2014/15 £000	Reconciliation of Grant Funding Applied to Capital Financing	2015/16 £000
29,728	Grants Received in year (Note 12)	12,003
(669)	Grants Received in year not applied in year	(250)
539	Grants Applied from Capital Grants Unapplied Account	440
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
5,960	In Year	4,903
3	Applied from Capital Grants Unapplied Account	-
35,561	Total Grants & Contributions applied	17,096

2014/15 £000	Body of Grant Funding Applied	2015/16 £000
728	Department for Communities & Local Government	1,099
11,507	Department for Transport	4,513
20,135	Department of Education	5,342
530	Department of Health	255
59	English Partnerships	-
1,268	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	3,391
34,227	Total Grants Applied	14,600
669	Section 106 Contributions	1,337
665	Third Party Contributions	1,159
1,334	Total Contributions applied	2,496
35,561	Total Grants & Contributions applied	17,096

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. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

One of the three schools has transferred to Academy status therefore in line with CIPFA guidance the associated assets are

not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £29.9m (£25.1m 2014/15).

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 2016 (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 2016/17	1,233	2,544	4,347	8,124
Within two to five years	4,001	8,655	20,708	33,364
Within six to ten years	5,486	8,684	29,661	43,831
Within 11 to 15 years	9,011	7,662	29,805	46,478
Within 16 to 20 years	11,312	3,678	34,486	49,476
Within 21 to 25 years*	3,079	(455)	11,818	14,442
Total	34,122	30,768	130,825	195,715

*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 2015		31 March 2016
£000		£000
(37,018)	Balance brought forward	(35,530)
1,488	Lease liability redemption in the year	1,408
(35,530)	Value of Total Liability carried forward	(34,122)
(1,408)	Short Term Liability	(1,233)
(34,122)	Long Term Liability	(32,889)
(35,530)	Value of Total Liability carried forward	(34,122)

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 2015		31 March 2016
£000	Council as Lessee - Finance Leases	£000
2,303	Other Land & Buildings	2,303
2,376	Vehicles, Plant Furniture & Equipment	1,906
4,679	Total	4,209

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 2015		31 March 2016	
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000	
583	Current	526	
4,077	Non-current	3,627	
20,219	Finance costs payable in future years*	19,850	
24,879	Minimum lease payments	24,003	

* Non-Peppercorn leases range from one to 104 years

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

31 March 2015		31 March 2016	
Min. Lease Payment	Finance Lease Liabilities	Min. Lease Payment	Finance Lease Liabilities
£000	£000	£000	£000
965	583	887	526
2,841	1,556	2,329	1,107
21,073	2,521	20,787	2,520
24,879	4,660	24,003	4,153

* 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 2016 the minimum payments expected to be received under these sub-leases was £243k (£274k in 2014/15).

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 2015		31 March 2016	
£000	Council as Lessee - Operating Leases	£000	
877	Not later than one year	772	
3,134	Later than one year & not later than five years	2,729	
8,323	Later than five years	7,589	
12,334	Total	11,090	

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 2015		31 March 2016	
£000	Council as Lessee - Operating Leases	£000	
1,166	Minimum lease payments	899	
-	Contingent rents	-	
(185)	Sublease payment receivable	(207)	
981	Total	692	

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
- To provide lower service costs eg Viridor – Energy for Waste

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

31 March 2015		31 March 2016
£000	Council as Lessor - Operating Leases	£000
2,788	Not later than one year	2,644
11,895	Later than one year & not later than five years	11,082
44,775	Later than five years*	49,363
59,458	Total	63,089

* Above operating leases range from five to 112 years

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

28 Financial Instruments

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate (EIR) calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

2014/15		2015/16
£000	Financial Assets	£000
(198)	Interest income	(343)
(41)	Impairment adjustment	-
(239)	Total for Financial Assets (Note 10)	(343)
	Financial Liabilities	
3,321	Interest payable relating to PFI	3,133
9,912	Interest payable on borrowings	11,920
13,233	Total for Financial Liabilities (Note 10)	15,053
12,994	Net expenditure for the year	14,710

The borrowings and investments disclosed in the Balance Sheet include the following categories in the table below.

2015 Long Term £000	2015 Current £000	Financial Instruments Balances	2016 Long Term £000	2016 Current £000
45	59	Investments - Loans and receivables	-	30
-	-	Investments - Available for Sale Assets	-	2,000
2,000	-	Debtors – Local Authority Mortgage Scheme	1,000	1,000
-	-	Debtors – Empower CIC	-	5,569
993	21,650	Debtors - Loans and receivables	780	28,702
(271,254)	(37,524)	Borrowings - Financial liabilities at amortised cost	(322,717)	(43,482)
(36,941)	-	Other Long Term liabilities - PFI and finance lease liabilities	(36,664)	-
(27)	(14,858)	Creditor - Financial liabilities at amortised cost	-	(4,768)

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

The Available for Sale Asset noted in the table above relates to the Loan Notes raised as a result of transferring assets to the PIP, see Note 13. The £2.0m comprises the £1.7m Deferred Capital Receipt plus £0.3m of VAT, due to HMRC, relating to one of the transfers.

The Loan to Empower CIC is shown in the Debtors section of the table above, see Note 14.

29 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2016 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The financial liabilities are held with PWLB and market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used Level 2 valuations calculated using a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses the effective rate of interest for the relevant instrument. The Council uses the new borrowing rates to discount the future cash flows.

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

2014/15		Financial Liabilities	2015/16	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(234,386)	(282,258)	PWLB debt	(282,388)	(335,042)
(36,867)	(37,487)	Non-PWLB debt	(40,329)	(41,266)
(34,500)	(39,537)	Short term borrowing	(40,272)	(45,387)
(15,892)	(12,868)	Short term creditors	(6,219)	(6,219)
(1,991)	(1,991)	Short term finance lease liability	(1,759)	(1,759)
(2,846)	(2,846)	Long term creditors	(3,774)	(3,774)
(34,122)	(49,481)	Long term finance lease liability*	(32,890)	(47,711)
(360,604)	(426,468)	Total	(407,631)	(481,158)

* in error the 2014/15 amount included £1.4m of short term finance lease liability that was also include in the short term finance lease liability line shown above.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above current market rates, see Note 30 for explanation of Market Risk.

The fair value of Public Works Loan Board (PWLB) loans of £335.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay

over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

In December 2011 the Council advanced £1m with a further £1m in July 2013 to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). 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 2016 the total mortgage approved against the £2m indemnity is £1,865,205 (£1,890,605 as at 31 March 2015).

2014/15		Financial Assets	2015/16	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
59	59	Short Term Investments	30	30
-	-	Available for Sale Assets	2,000	2,000
-	-	Local Authority Mortgage Scheme - Short Term	1,000	1,000
-	-	Empower CIC Loan	5,569	5,569
7,870	7,870	Total Cash and bank	11,634	11,634
13,780	13,780	Trade Debtors	17,068	17,068
2,000	2,000	Local Authority Mortgage Scheme - Long Term	1,000	1,044
45	45	Long Term Investments	-	-
993	993	Other Long Term Loans & Receivables	780	780
24,747	24,747	Total	39,081	39,125

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

30 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

The 2015/16 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays) and Bank of Scotland (part of the Lloyds Banking Group).

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 have changed the methodology for assessing financial institutions during 2015/16. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. 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 is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.

- Creditworthiness advice and market intelligence is received from treasury advisors, 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 £11.5m deposited with the Debt Management Office (DMO) and UK banks at 31 March 2016. The full amount is potentially exposed to credit risk, although as the DMO is within the scope of HM Treasury it is less of a risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2016. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment remains at 85p to 86.5p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2016 are £1.7m for KSF and £1.0m for HB. Further dividends are expected in 2016/17.

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:

2014/15 £000	Age of Trade Debt	2015/16 £000
6,384	Less than three months	10,202
857	Three to six months	986
1,417	Six months to one year	1,189
5,122	More than one year	4,691
13,780	Total	17,068

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Council has ready access to borrowings from the Public Works Loans Board (PWLb) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

The Council's strategy to reduce this risk is to spread the profile of maturing loans across a period of 50 years, to ensure that a large number do not all mature in the same year. The Council's

cashflow is forecast, in detail, for up to 12 months ahead and more broadly for the succeeding nine years.

The maturity analysis of financial liabilities is as follows:

2014/15 £000	Maturity analysis of financial liabilities	2015/16 £000
(52,382)	Less than one year	(48,250)
(11,616)	Between one and two years	(17,566)
(31,093)	Between two and five years	(28,813)
(265,513)	Between five and fifty years	(313,002)
<u>(360,604)</u>	Total	<u>(407,631)</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 2016, 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 £63.3m, 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 2015	Inventories	31 March 2016
£000		£000
224	Westcombe Industries Stock	227
72	Other Stock Balances	74
296	Total	301

32 Debtors

31 March 2015	Debtors	31 March 2016
£000	(Each item is net of impairment)	£000
4,950	Central Government Departments	6,545
2,090	Cross Keys Homes	2,203
7,708	Council Tax Arrears	8,026
9,584	NNDR Arrears	9,370
4,165	Payments in Advance	4,751
-	ECS Peterborough 1 LLP (Notes 14, 25)	5,569
-	Local Authority Mortgage Scheme Loan	1,000
517	Section 106 Debtors	2,377
21,062	General Debtors	25,169
50,076		65,010
8	Outstanding Balances on Loans Granted Loans to Employees (Car Purchase)	8
50,084	Total Debtors	65,018

33 Current Intangible Assets

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK energy-saving and carbon emissions reduction scheme which commenced in April 2010. The Council is holding CRC allowances with a value of £218k as at 31 March 2016 (31 March 2015 £207k).

The balance of £218k will be surrendered by 31 October 2016 to meet the Council's reported CO₂ emissions for 2015/16 in accordance with the requirements of the CRC Scheme. The Council has estimated its liability under the scheme to be £218k and has included a provision in the accounts for this, see Note 34.

34 Provisions

Provision Description	31 March 2015	Additional Provision	Payment from Provision	Released back to CIES	31 March 2016
	£000	£000	£000	£000	£000
Short Term Provisions					
<u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain.	(795)	(257)	254	-	(798)
<u>Payroll</u> - redundancy related payments, regarding decisions made in 2015/16 but which will be paid in 2016/17	(75)	(88)	35	-	(128)
<u>Charges from suppliers which are uncertain or in dispute</u> - these represent charges from suppliers that are of an uncertain amount and timing	(569)	(80)	197	253	(199)
<u>Legal</u> – compensation claims against the council which may become dependent on a court decision.	-	(200)	-	-	(200)
<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	(155)	(29)	104	-	(80)
<u>Carbon Reduction Commitment Scheme (CRC)</u> - the obligation of the Council for the purchase of CRC allowances for 2015/16	-	(218)	-	-	(218)
<u>Non Domestic Rate Appeals Provision</u> – see Collection Fund for further details	(5,241)	(2,578)	1,681	-	(6,138)
Total Short Term Provisions	(6,835)	(3,450)	2,271	253	(7,761)
Long Term Provisions					
<u>Insurance Claims</u> – see above comments	(419)	-	116	-	(303)
Total Short and Long Term Provisions	(7,254)	(3,450)	2,387	253	(8,064)

35 Creditors

31 March 2015	Creditors	31 March 2016
£000		£000
(707)	Council Tax Overpaid	(762)
(1,166)	Council Tax Prepaid*	(818)
(1,674)	NDR Overpaid	(1,319)
(1,040)	NDR Prepaid	(796)
(10,512)	NDR Preceptors	(15,312)
(12,257)	Deposits / Receipts in Advance*	(12,316)
(3,236)	Accrual Accumulated Absences (Note 16)	(2,546)
(47,775)	General Creditors	(42,167)
(78,367)	Total Creditors	(76,036)

* In previous year's accounts, Council Tax Prepaid was included within the Deposits / Receipts in Advance figure.

36 Capital Grants Receipts in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2015	Capital Grants Receipts in Advance	31 March 2016
£000		£000
(559)	Department of Education	(540)
(1,212)	Department for Transport	(1,437)
(576)	Homes and Communities Agency (HCA)	(576)
(103)	Other Third Party Contributions	(173)
(427)	Department of Health	(241)
-	Third Party contributions for Hampton Leys (Gardens)	(1,500)
(14,873)	Section 106 Contributions	(19,163)
(17,750)	Total Capital Grants Receipts in Advance	(23,630)

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(132)	Interest Received	(250)
12,930	Interest Paid	14,874

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2014/15 £000		2015/16 £000
99,068	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	70,635
10,360	Other Payments for Investing Activities	7,938
(1,740)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(2,419)
(16)	Proceeds from Short-Term Investments	(63)
107,672	Net cash flows from investing activities	76,091

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2014/15 £000		2015/16 £000
(94,000)	Cash Receipts of Short & Long Term Borrowing	(57,190)
1,668	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	2,023
(572)	Other Payments for Financing Activities	(7,649)
(92,904)	Net cash flows from financing activities	(62,816)

40 Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The 'Bank Current Accounts' line includes payments that have not yet cleared in the actual bank accounts.

2014/15		2015/16
£000		£000
8,900	Short Term Cash Investments	11,500
67	Petty Cash & Imprest	72
(1,097)	Bank Current Accounts	62
<u>7,870</u>	Total Cash & Cash Equivalents	11,634

41 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 2016 was £17,352 (£37,465 at 31 March 2015). Interest is allocated to the funds at bank base rate.

The Council acts for 12 Adults under Court of Protection administration orders. The total value of funds is £17,368 at 31 March 2016 (£63,224 at 31 March 2015) all invested internally. The Council was holding a larger balance as at 31 March 2015 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 (176 at 31 March 2015). The total Client funds at 31 March 2016 was £1.4m (£1.2m at 31 March 2015).

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

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

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

42 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are identified as follows:

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. 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 twice been asked to repay a proportion of the above amount which were accounted for in the 2012/13 and 2015/16 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.

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

The standards which have been introduced by the 2016/17 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 2016 are as follows:

- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) and the impact of the CIPFA / LASAAC 'Telling the Story' review will change the way that the core financial statements are presented to make them more comparable to the Council's budget setting and monitoring reports.
- It is not anticipated that the following amendments will have a material impact on the Council's financial statements. Amendments include:
 - IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions),
 - IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations),
 - IAS 16 Property, Plant and Equipment,
 - IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).
- 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. Annual Improvements to IFRSs 2010 - 2012 and 2012-2014 Cycles

will be effective from 1 April 2016. The issues included in these cycles will not have a material impact on the Council's financial statements.

The CIPFA Code of Practise on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of the works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £31.8m to £2.3bn with a large increase in the annual depreciation charge.

44 Critical Judgement in Applying Accounting Policies

In applying the accounting policies, set out from page 77, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council continues to deal with substantial reductions to its funding. Whilst the Council has been able to balance its

2015/16 and 2016/17 budget, significant challenges remain and transformational change to service delivery is required. The Medium Term Financial Strategy 2016/17 to 2025/26 has been developed to seek to address these issues, however, it is acknowledged that there is still a risk of further cuts to funding. Government's offer of a four year Finance Settlement may serve to reduce some of this risk, but the contents of the offer has not yet been fully publicised. There also continues to be increasing demographic pressures and additional demand for services. The Council has determined that given the remaining level of uncertainty in these areas there is not sufficient indication of any additional impact on the accounts or accounting policies at this time.

- In June 2016 the Council debated and agreed to put forward for consultation a proposal for a devolution deal for a Combined Authority for Cambridgeshire and Peterborough worth more than £770million. The Council has determined that given the remaining level of uncertainty in these areas 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 school transferring status during 2015/16. Current government aspirations are to convert all remaining maintained schools to Academy status 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 and number of Schools	Community	Controlled	Aided	Foundation Trust	Academies	Total
Nursery	1	-	-	-	-	1
Primary Schools	34	5	7	1	10	57
Secondary Schools	1	-	1	1	8	11
All through Schools	-	-	-	-	1	1
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 (net book value at 31 March 2015 of £9.5m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2016. 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 current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 53.

- 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 51.
- 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 55 - 56.
- The Council has six 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 five entities are not material.
 - Peterborough Museum and Art Gallery – the Council is sole trustee of the trust set up to provide the City with access to historic artefacts to promote artistic and general knowledge. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 13.
 - Opportunity Peterborough – the company exists to promote and secure regeneration activities within the Peterborough area. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
 - Blue Sky Peterborough (BSP) – in 2011/12 the Council established an Energy Services Company, BSP. The aim of this ESCo is to pursue the provision of low and zero-carbon energy schemes with the energy produced available to the Peterborough area for both domestic and business users. As the company has not started trading yet there have been no transactions through the company. Further information can be found in Note 14.
 - Peterborough Investment Partnership LLP – during 2014/15 the Council incorporated the Peterborough Investment Partnership LLP to secure the regeneration of key city centre sites with capital market investors. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
 - Empower Peterborough Community Interest Company – was incorporated during 2015/16 to install solar panels on homes in Peterborough free of charge with occupants benefitting from energy savings. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the

accounts that a note would not provide. Further information can be found in Note 14.

- The Mayor of Peterborough's Charity Fund – was registered with the Charity Commission during 2015/16 to facilitate the Mayor's fundraising events during the Mayoral year. Due to the nature of its activities and its small size, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. Further information can be found in Note 14.
- In common with many local authorities the Council has received an application for mandatory business rate relief from a NHS trust. The Council has considered this against its accounting policies and the reporting requirements of the Code. Initial advice from the Local Government Association and subsequent opinion from leading counsel has determined that the claim has no basis and therefore no disclosure is required, elsewhere in the Statement of Accounts.
- The Council is part of a 100% Additional Growth pilot for Non-Domestic Rates (NDR) retention. At present the accounting rules for this income are not finalised. The Council has

recognised this income in 2015/16 in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. This has been completed on the basis that the Department for Communities and Local Government are to write regulations to enable this accounting treatment, if it deems that this is necessary, and the advice from CIPFA to use this accounting treatment in advance of the regulations being finalised.

45 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 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 £659k for every year that useful life is reduced, which equates to a 2.91% increase in this year's depreciation charge.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
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 £548k, which is 0.08% of the Council's total asset base. 8% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries. The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the 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 an increase in pension liability of 11% or £64m • a 1 year increase in member life expectancy would result in an increase in pension liability of 3% or £18m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 3% or £16m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 8% or £48m
Arrears	At 31 March 2016 the Council had a balance of £19.7m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 18% or £3.5m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, an additional contribution of £350k would be set aside as allowance. If 10% of the debt portfolio was one year older, a contribution of £150k would be set aside as additional allowance.
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 £655k. This equates to an 11% increase in the estimated provision held in the Council's Balance Sheet.

46 Events After the Balance Sheet Date

The referendum which took place on 23 June 2016 resulted in the UK voting to leave the European Union (EU). As this event took place after the balance sheet date of 31 March 2016, it is treated as a non-adjusting event meaning that the financial statements and the notes to the accounts are not amended to reflect its impact.

The decision to leave and the subsequent negotiations around the terms of relationship between the UK and EU going forward have led to some volatility and uncertainty within the financial markets. This could have a material impact on the values of the assets and liabilities of the Council's Local Government Pensions scheme, the Council's property, and financial instruments, where these are valued at market rate. It is too early to estimate the impact with any degree of certainty, and the current indications from the Council's advisors are that Brexit will not have a material impact on these values.

47 Authorisation of the Accounts

The Corporate Director: Resources authorises these accounts to be issued on 30 September 2016.

The Collection Fund and Notes

31 March 2015	Collection Fund Statement	Notes	31 March 2016 Business Rates £000	Council Tax £000	Total £000
£000					
	Income				
(72,575)	Council Tax Receivable		-	(74,359)	(74,359)
(1)	Council Tax Annex Grant		-	-	-
(95,283)	Business Rates Receivable	3	(104,260)	-	(104,260)
(277)	Transitional Payment Protection		-	-	-
	Contribution to Previous Year's Deficit:				
-	- Peterborough City Council	4	(1,522)	-	(1,522)
-	- Cambridgeshire & Peterborough Fire Authority		(31)	-	(31)
-	- Cambridgeshire Police Authority		(1,553)	-	(1,553)
(168,136)	Total Income		(107,366)	(74,359)	(181,725)
	Expenditure				
	Precepts:				
58,036	Peterborough City Council	4	-	59,515	59,515
3,280	Cambridgeshire & Peterborough Fire Authority		-	3,361	3,361
9,259	Cambridgeshire Police Authority		-	9,486	9,486
70,575	Total Precepts		-	72,362	72,362
	Business Rates Share:				
45,234	Peterborough City Council	4	47,129	-	47,129
922	Cambridgeshire & Peterborough Fire Authority		962	-	962
46,157	Central Government (Inc Pooled Fund)		48,091	-	48,091
92,313	Total Business Rates Shares		96,182	-	96,182
	Charges to Collection Fund:				
36	Written off Uncollectable Amounts		-	-	-
1,939	Increase / (Decrease) in Bad Debt Provision		1,108	1,156	2,264
2,166	Increase / (Decrease) in Provision for Appeals		1,830	-	1,830
277	Cost of Collection		275	-	275
-	- Transitional Payment Protection		4,838	-	4,838
-	- Interest on Overpayments		24	-	24
-	- Renewable Energy Disregard	4	21	-	21
4,418	Total Charges to Collection Fund		8,096	1,156	9,252
	Contribution to Previous Year's Estimated Surplus:				
649	Peterborough City Council	4	-	-	-
13	Cambridgeshire & Peterborough Fire Authority		-	-	-
663	Central Government (Inc Pooled Fund)		-	-	-
1,325	Total Business Rates Shares		-	-	-
495	(Surplus) / Deficit Arising During the Year		(3,088)	(841)	(3,929)
	Collection Fund Balance				
4,326	(Surplus) / Deficit Brought Forward 1 April		6,020	(1,199)	4,821
495	(Surplus) / Deficit Arising During the Year		(3,088)	(841)	(3,929)
4,821	(Surplus) / Deficit Carried Forward 31 March		2,932	(2,040)	892
	Allocated to:				
1,964	Peterborough City Council		1,437	(1,679)	(242)
4	Cambridgeshire & Peterborough Fire Authority		29	(94)	(65)
(157)	Cambridgeshire Police Authority		-	(267)	(267)
3,010	Central Government (Inc Pooled Fund)		1,466	-	1,466
4,821	Total		2,932	(2,040)	892

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	34,217	22,811
B	7/9	19,717	15,335
C	8/9	13,281	11,805
D	9/9	7,572	7,572
E	11/9	4,280	5,231
F	13/9	1,832	2,646
G	15/9	906	1,510
H	18/9	67	134
Total		81,872	67,044

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 52,749 (51,054 for 2014/15).

3 Non-Domestic Rates

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by the Government.

For 2015/16 the total non-domestic rateable value at the year-end is £233.3m (£231.7m in 2014/15). The national multipliers for 2015/16 were 48.0p for qualifying Small Businesses, with the standard multiplier being 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

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.

2014/15	Council Precept	NDR	Council Tax	2015/16 Total
£000		£000	£000	£000
(103,270)	Precept / Share	(47,129)	(59,515)	(106,644)
-	Estimated Renewable Energy Disregard (RED)	(40)	-	(40)
-	Difference between actual & estimated RED	19	-	19
(649)	Share of Prior Year Estimated Deficit / (Surplus)	1,522	-	1,522
(2,086)	Reverse actual share prior year Deficit / (Surplus)	(2,950)	990	(1,960)
1,960	Share of Deficit / (Surplus)	1,437	(1,679)	(242)
(104,045)	Total (Note 12)	(47,141)	(60,204)	(107,345)

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 Council 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. 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 Education and Children's 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 lines 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 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 are 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 techniques:

- 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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 ring-fenced 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 either the detailed insurance valuation (which are based on market values) or the valuation undertaken by the Council's property valuers. 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. With exception of the mayor's car license plate, in practice 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 relevant 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.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures which require it to prepare group accounts if material. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 are 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 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.

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 2015/16 (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 current 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 - depreciated historical cost. These assets, which include roads, bridges and streetlights, are classed as inalienable assets, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use. The balance in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed – it is not broken down on an asset by asset basis. Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance – these have been recorded in the Council's fixed asset register on a project basis

rather than by asset, meaning additions / enhancements may relate to a number of infrastructure assets. The infrastructure balance has been reduced annually by depreciation, in line with the Council's depreciation policy as noted on page 90

- community assets and assets under construction – historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use value (EUV).
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five 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 Asset 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 capital 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 remains within 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 – straight-line allocation over the useful life of the asset in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over various asset lives

Where 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 remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled schools) have not been incorporated into the Council's Balance Sheet.

The Council transfers academy school assets on a 125-year lease in accordance with national guidelines, 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 the 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 Energy Efficiency Scheme. 2015/16 was the second year of the Initial Phase of the scheme, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them 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 Councils 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 processes 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.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

Property, plant and equipment assets remain vested in the governing bodies of voluntary aided or controlled schools. Values and amounts relating to such bodies (other than undeveloped land for voluntary aided or controlled schools) have not been incorporated into the Council's Balance Sheet.

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.

Business Rates Retention Scheme – the name given to the system of funding local authorities through the local government finance settlement. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services.

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, repay debt or fund transformational change that lead to future savings.

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 arm's 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.

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 or for capital appreciation.

Loan Notes – A form of vendor finance or deferred payment, in which the purchaser acts as a borrower, agreeing to make payments to the holder of the transferable loan note at a specified future date.

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

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'.

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

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. MRP is charged in line with the life of the asset for which 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.

NDR Levy Payment – the mechanism to limit disproportionate benefit from business rates.

NDR Tariff Payment – at the outset of the business rates retention scheme the Council was calculated as having a higher business rate baseline compared to its baseline funding level, leading to a tariff payment.

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

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.

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.

Index of Notes to the Core Financial Statements

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Annual Governance Statement – 2015/16



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 2015, and up to the date of approval of 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 2016 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, which are reviewed, and refreshed if necessary, the following are the latest expectations:

- 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

Our council priorities are 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 2016. This 10 year plan is annually refreshed. 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 was implemented in 2015.

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 of 9 Members: - Leader and 8 Cabinet Members. 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.

- Cabinet member reports 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 2015 / 2016.

- 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 under review to reflect the new CIPFA Code of Practice on "*Managing the Risk of Fraud and Corruption*".
- The Council has 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 8 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 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, together with any non-key decisions for the period.
- 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 operating 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.

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 Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings. Varied social media channels of communication are used to reach all sections of the community and other stakeholders.

- The Council has a number of significant partnerships, outsourced contracts and service vehicles. These are:
 - Greater Peterborough Partnership – our local strategic partner;
 - 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;
 - Health and Well Being Board – established to provide a strategic leadership forum focused 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; and
 - 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 performance management and receives reports during the year. 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 includes 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 quarterly and Audit Committee half yearly. 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. This will be reconvened in 2016.
- 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 2014 / 2015, 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. From these works it was considered that the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives.
- Assurance from Corporate Directors and their management teams on the key elements of the control framework that 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.

2014 / 2015 Governance Issues: Progress to Date	
Issue	Progress
<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.</p> <p>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> <p>Corporate Director: Resources</p>	<p>Following the changes made to fraud investigation in December 2014, a progress / follow up report was submitted to Corporate Management Team in February 2016 which also incorporated Corporate Complaints.</p> <p>Service provision has been benchmarked against the Code of Practice during 2015 / 2016 and an Action Plan established to address a number of minor gaps.</p>
<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> <p>Corporate Director: People and Communities</p>	<p>Ongoing reviews and scrutiny is in place to ensure effective management of the Better Care Fund with our partners.</p>
<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> <p>Corporate Director: Resources</p>	<p>A balanced budget was agreed for 2015 / 2016 as part of the medium term financial plan and has been delivered in its entirety. A balanced budget has once again been agreed for 2016 / 2017 which reiterated that no service reductions would be required.</p> <p>Budget preparation commenced early each year in order to increase the confidence in the process and allow for effective consultation and scrutiny with Members and stakeholders.</p>

2014 / 2015 Governance Issues: Progress to Date	
Issue	Progress
<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> <p>Director of Governance</p>	<p>There has been effective management arrangements in place for the successful adoption of new boundaries resulting in an all-out election in May 2016. Effective publicity and consolation resulted in no issues arising.</p>
<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 interests as staff undertake more roles and have dual reporting commitments.</p> <p>Corporate Director: Resources</p> <p>Director of Governance</p>	<p>Ongoing training has been delivered to officers and members to ensure that new models are effectively developed, followed and reviewed against.</p>

2015 / 2016 Governance Issues:

These have been incorporated into the following areas which will need to be resolved during the year:

New Governance Issue	
Issue	Lead Officer
<p>Ongoing and future changes to the Council's financial framework including several changes to national and regional funding regimes will increase the financial pressure the Council is required to contribute to reduce the national deficit. These changes arise from on-going changes to benefit administration and continued downward pressure on government funding of Councils as confirmed in the indicative long term financial settlement.</p> <p>Sizable grant reductions over the next 4 years could have a profound impact on the way the council delivers services and on its internal operations. For example, reductions in staffing levels could lead to a reduction in the effectiveness or application of controls.</p>	Corporate Director: Resources
<p>The Council has a number of key regeneration projects planned for the future which are to be delivered in partnership, for example Fletton Quays. Should one of these high profile projects not be delivered as planned it is likely to result in reputational damage to the Council or increase the financial pressure on the council for the future.</p> <p>Robust governance arrangements will be required.</p>	Corporate Director: Growth and Regeneration
<p>A number of data quality issues identified in Childrens and Communities will be followed up to ensure that quality records are maintained as the Customer Experience develops.</p>	Corporate Director: Children and Communities
<p>The New Governance Framework for 2016 / 2017 onwards will need to be adopted. Work will be required throughout the year to ensure that the Council complies with it and any gaps are addressed. As part of this there will be a need to refresh the Local Code of Governance</p>	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

Gillian Beasley, Chief Executive

Date:

12/9/16

Signed:

John F W Holdich O B E

Councillor John Holdich, Leader of the Council

Date:

12/9/16

AUDIT COMMITTEE	AGENDA ITEM NO. 5
22 SEPTEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton Cabinet Member for Resources	
Contact Officer(s):	Kevin Dawson, Head of Resilience	Tel. 453464

RISK MANAGEMENT AND BUSINESS CONTINUITY

R E C O M M E N D A T I O N S	
FROM : Kevin Dawson, Head of Resilience	Deadline date : N/A
Audit Committee is recommended to:	
1. Comment on and note the latest Risk Management Report.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee as a routine planned report on risk management.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to provide an update on Risk Management under its terms of reference 2.2.1.12 " To monitor the effective development and operation of risk management and corporate governance in the council and to:

- To provide the Audit and Committee with the profile of Corporate risks faced by the Council;
- To provide details of significant changes to the Corporate Risk Register since the last report to the Committee on 27 March 2016; and
- To provide the Audit Committee with the profile of risks faced by corporate and executive directorates.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. RISK MANAGEMENT REVIEW

- 4.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities from being successfully achieved.

- 4.2 The risk management approach is encapsulated in the following key documents:

- Risk Management Policy

This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite.

The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Corporate Management Team (CMT).

4.3 The key role of Audit Committee in the management of risk is:

- It provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

4.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by CMT:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;
- Risk management should be embedded in everyday business processes;
- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;
- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

4.5 Ownership of the Corporate Risk Register (CRR) lies with CMT which reviews the Register on a quarterly basis. CMT members have had sight of the CRR during July/August 2016.

4.6 This report is supported by:

- The Corporate Risk management Policy (Appendix 1)
- The Corporate Risk Register (Appendix 2)

5. CORPORATE RISK REGISTER UPDATE

5.1 Following the review of corporate risks during July/August 2016, CMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

The current risks are listed below:

Risk 1: Failure to plan for/realise implications of Growth Agenda

The Corporate Risk Register currently scores the residual risk of failure as amber and there has been no change in the score since the last review in April 2016.

Risk 2: Impact of social demographic change

The score within the Corporate Risk Register remains at red and the actions have been clarified to mitigate the risk.

Risk 3: School places

The score within the Corporate Risk Register remains at red and the strategies have been updated to mitigate the risk.

Risk 4: Corporate manslaughter/health and safety incident

There are no changes in this risk and the Corporate Risk Register score remains at amber.

Risk 5: Crime and ASB Reduction/Cohesion

The Corporate Risk Register continues to score this risk at amber however the strategies within current controls have been updated.

Risk 6: Safeguarding

The Corporate Risk Register continues to score this risk at red however the actions have been updated to reflect current practice.

Risk 7: Information Governance

The score and amber rating within the Corporate Risk Register remains the same however the actions have been revised to reflect the recent policy review.

Risk 8: Financial position

The score has been reduced from red to amber to reflect the balanced position for 2016/17 and significant savings opportunities identified for 2017/18.

Risk 9: NHS funding and organisation

This risk has now been removed from the CRR.

Risk 9 (formerly 10): Strategic Partnerships failing to deliver as per expectations

There have only been minor changes within this risk reflecting changes in job titles. Both the score and amber rating remains the same.

7. KEY ONGOING ISSUES FOR 2016/17

- Quarterly review of Strategic (corporate) risk register by CMT;
- Coordination of Strategic and Departmental risk registers, including escalation of risks from Department Registers up to CMT;
- 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 Risk Management into procurement processes, induction briefings and business plans.

8. ANTICIPATED OUTCOMES

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

9. REASONS FOR RECOMMENDATIONS

- 9.1 Risk management is a key component of the Council's Corporate Governance Framework which will take time to review and embed effectively.

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 None

11. IMPLICATIONS

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

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

11.2 Legal

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

12. BACKGROUND DOCUMENTS

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

- 12.1 Peterborough City Council Risk Management Policy 2015.

13 APPENDICES

Appendix 1 - Strategic Risk Register v 8.7

Appendix 2 - Risk Management Policy v4.8

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous /Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	<i>Name of risk</i>	<i>Brief description of risk event</i>	<i>Threats & opportunities arising</i>													
				A Educ B Cult C Saig D Com E Env F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)				<i>If new risk, score on assumption no controls are in place</i>	<i>Change in impact, likelihood, objective etc(ALT return to use bullet points etc)</i>	<i>To measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)</i>	<i>Officer(s) responsible</i>	<i>Target date</i>	<i>All registers reviewed at least 6 monthly unless red status specified, 3 monthly review then required.</i>	<i>Any other comments etc</i>
1	Failure to plan for/realise implications of Growth Agenda	The city has an ambitious growth agenda and growth supports the Council's income through business rate growth and New Homes Bonus. However, there is also a significant cost to growth through the need to upgrade and provide new infrastructure. Funding for infrastructure is increasingly channeled through the Local Enterprise Partnership There is a need to maintain a focus and capacity to deliver growth.	Inability to fulfil statutory obligations eg provision of roads and schools. Budget implications.	E F	2	4	8	8	◀▶	Currently unable to accurately predict future levels of business rate income.	Robust viability discussions with developers. Focused Section 106 team and CIL introduced in April 2015 and review of Local Plan. Monitoring residential land supply.	1)Development of system to forecast future levels of business rates. 2)Co-ordinated approach between the Council and Opportunity Peterborough to influence LEP investment decisions. .3) Joint Venture company, Peterborough Investment Partnership, now established to deliver growth projects. 4)Long term capital investment plan for new infrastructure.	Simon Machen		Sep-16	
171																
2	Impact of social demographic change	Insufficient capacity to support increased demand on specialist services as a result of ageing population, increased birth rate, migration and disability. Services include foster carers, adoption placements, special school places, residential nursing places and domiciliary care capacity.	Significant additional financial costs to support need within the independent sector typically in and around the city.	D	4	5	20	20	◀▶		Ongoing monitoring and review. Financial impact evaluation. Use of agency staff and improved recruitment materials. Customer Experience programme focussing on reducing demand and reducing high cost placements.	1)Finalisation and implementation of Prevention, Early Help and Demand Management Strategy including workforce reform, development of community capacity and resilience and Customer Experience Programme. 2)SEN strategy. Adult Social Care enablement and prevention models to be implemented. CWD work programme includes a prevention work stream. 3)Recruit alternatively qualified staff to support social workers, improved retention package 4) Delivery of the Customer Experience programme - specifically the Front Door, Health and Social Care Integration and Home Services Delivery Vehicle	Wendi Ogle-Welbourn	Ongoing	Jul-16	

3	School Places	<p>Failure to provide our legal requirement for every child of statutory school age to access a place and within a 'reasonable' distance from their home (less than 2 miles for 4 to 8 year olds and up to 3 miles for 9 to 16 year olds) Impact of further inward migration as EU borders open up increasing demand. Cut in Government funding for school places</p>	<p>1) Significant additional costs incurred in terms of transport, 2) impact on schools in terms of attendance, less engagement from parents and increased churn of pupils when places become available nearer to home - all having a significant impact on outcomes. 3) Potential legal action from parents for failure to meet legal requirements</p>	A	5	4	20	20	◀▶	<p>Latest new intake allocations for Reception for 9/16 suggest we will have less than 1% of school places surplus. For Year 7 it is circa 8%. Key shortage of places in existing reception, yr 1, y10 and y11. Challenge is to create capacity in Year 7 to meet the demands coming through from Reception, Years 1 and 2 where numbers exceed the Y7 PAN by some 500 places Government have announced no basic need funding - £4m gap in next 2 F/Y</p>	<p>1) Updated School Organisation plan (2015-2020) has focussed where capital resources need to be targeted. 2) Sufficient resources identified in MTFP to support known requirements in the next 3 years if forecasts remain accurate 3) Quality of relationship with schools means school have overadmitted to support the LA</p>	<p>1) Keep under review. 2) Local and national lobbying (inc EFA capital funding options, inc Free Schools) 3) Continue to review options around reducing costs including modular technology, use of existing buildings and procurement savings 4) Plans for emergency places being developed including pulling forward schemes and additional mobiles 5) Continue to monitor in year admissions and trends around numbers leaving the city (new In Year form being developed to improve data collection)</p>	Brian Howard	Ongoing	Jul-16	<p>Review in line with allocation rounds (Secondary 1st March, Primary 16th April)</p>
4	Corporate manslaughter/ health and safety incident	<p>Failure of the health and safety system to prevent a death or serious injury (that could have been preventable).</p>	<p>Impact on the organisation and individuals concerned, potential for financial loss, litigation etc.</p>	C	2	4	8	8	◀▶	<p>Robust arrangements and training in place including regular internal auditing of policies and procedures.</p>	<p>1) Regular review of H&S Policy. 2) Focused auditing by dedicated team. 3) Training of senior management on H&S duties and responsibilities to be introduced. There is a full review taking place of all externalised contracts ensuring the appropriate contractual obligations are in place for each provider and that where our own properties are occupied the appropriate testing and monitoring schedules are in place.</p>	<p>Corporate Management Team</p>	Ongoing	Jul-16		
5	Crime and ASB Reduction /Cohesion	<p>Increase in several crime types including ASB, and an increase in community tensions as a result of broader social changes, financial pressures and national/international events.</p>	<p>Increased costs across the public sector; increased fear of crime; reduced confidence in public sector; community tensions and conflict.</p>	D	2	4	8	8	◀▶		<p>1) Community and Safety model in place including daily risk management profiling. 2) Community and Safety model co-locates staff from the council, Police, Fire service and Cross Keys Homes, all sharing data and intelligence. 3) Strategic Cohesion Strategy in place, supported by Cohesion Board, Tension Monitoring Group and Hate Crime Task and Finish Group. 4) Crime and community safety performance is scrutinised bi-monthly in detail at the Safer Peterborough Partnership.</p>	<p>1) Maintain strong focus on daily risk management and longer term performance monitoring. 2) Continue to enhance the role of Community Connectors from higher risk communities to act as a bridge between communities and the public sector. 3) Continue to develop the Community and Safety model incorporating more partners where relevant. 4) Continue to develop the relationship between Mosques and between the Muslim community and the Council</p>	Adrian Chapman	Ongoing	Jun-16	

6	Safeguarding	Failure of safeguarding functions to prevent a child or vulnerable adult's being placed at significant risk of harm.	Significant risk to council both in terms of potential intervention from the government and media attention.	C	3	5	15	15	◀▶		<p>1) Implementation and continuing development of the Multi-Agency Safeguarding Hub 2) Permanent team managers recruited in First Response and MASH in Children's Services 3) Accountability to CMT & Scrutiny 4) Quality Assurance function strengthened and operating across Children's and Adults' Services 5) New Quality Improvement service established to support commissioned providers to improve practice 6) Workforce Development training programme including targeted approach to build skills of team managers. 7) Development of Safeguarding Adults Board chaired by chair of PSCB resulting in robust multi-agency procedures in place for both Boards, with supporting guidelines and protocols being developed.</p>	<p>1) Sustain current improvement journey and adhere to OfSTED improvement plan in Children's Services; 2) Permanent leadership team recruited to/in place - recruitment and retention package for social workers developed and to be implemented; 3) Continuing focus on high priority areas including domestic violence and child sexual exploitation; 4) Practice development emphasising continuing importance of evidencing management oversight and journey of child in work with families Adults: 1) Care Act brings significant changes to the role of the SAB and the nature of enquiries to be undertaken. Revised procedures under development including in relation to Large Scale Investigations 2) Strengthened Safeguarding Adults board arrangements 3) Consultant practitioners in frontline teams</p>	Wendi Ogle-Welbourn	Ongoing	Apr-16	
7	Information governance	The council's management of information data on a day to day basis	Lack of controls could subject the council to significant risk from litigation, financial penalties and loss of reputation	B C D	3	4	12	12	◀▶		<p>1) Strategic Governance Board oversees and monitors the correct handling of information data 2) Dedicated team set up to oversee correct handling of information data. 3) Information Governance Group set up to monitor and introduce measures to aid compliance 4) Cross PCC Information Risk Group set up 5) Box secure file sharing introduced and being embedded</p>	<p>1) Information Governance overarching policy has been reviewed to meet requirements of Caldicott2 and quality assured by Zurich. Data Protection and Data Breaches policies also reviewed and action plan to be taken to CMT in March. 2) Mandatory training and awareness sessions held for all staff 3) Corporate Induction raises awareness to all new staff. 4) Information Governance Group to be relaunched to oversee compliance and action / work plan. 5) Information governance risk registers being finalised with individual departments</p>	Kim Sawyer	Ongoing and quarterly review by CMT (data security). Oversight by SGB.	Jul-16	

8	Financial Position	<p>In order to balance the 2016/17 budget, the Council has plans to deliver £24m of savings and use a small amount of reserves. Progress in achieving savings and keeping within budget is reported monthly in the Budget Control Report reported to CMT and members. Currently the Council is performing within the overall resource allocation although some pressures are emerging such as homelessness.</p> <p>The MTFS was published and approved in March 2016, and has been designed to enable a measured approach to future budget strategy to be taken. It shows that significant savings for 2018/19 and beyond are required, and proposals are being worked on now in 2016 to address this position. The budget report also contains a major section on risk and mitigation actions.</p>	<p>Council cannot overspend, so savings will have to be found elsewhere in the councils budget</p>	A B C D E F	2	5	10	15	▼		<p>Plans for implementation of savings proposals are developed during the production of the medium term financial strategy with the RAG status of plans monitored by CMT. Performance against the budget position is monitored through the monthly budgetary control process throughout the year, with management action applied to any areas of concern, and factored into the future MTFS position where necessary. Financial papers are published and in the public domain prior to approval to enable full consultation to take place.</p>	See current controls.	John Harrison	Ongoing monthly monitoring MTFS refresh to start post election	Sep-16		
9	<p>Strategic Partnerships (Amey, Serco, Skanska, Opportunity Peterborough and Vivacity) fail to deliver as per expectations, prejudicing the Authority's ability to secure the desired outcomes on behalf of citizens</p>	<p>The Council has vested delivery of a number of key services in Strategic Partners; there are reputational and financial risks to PCC if delivery is not at either the price or to the quality envisaged at the time of the contracts being entered into.</p>	<p>PCC needs to ensure firm governance arrangements (see separate entry) managed by the Corporate Director Resources and the Corporate Director Growth and Regeneration - that allows for on-going debate about delivery and priorities. Failure to take a whole-systems approach to the management of the Strategic Partnerships will increase the risk of underperformance and financial and reputational costs to the Council.</p>	D B C	2	3	6	6	◀▶		<p>There are strategic partnership boards in place for Amey, Skanska and Serco (and boards for Opportunity Peterborough and Vivacity)</p>	<p>1) Day-to-day relationships and issues are managed between the Corporate Director Resources & the Corporate Director of Growth and Regeneration (with their respective teams) and the 5 Partners; 2) Strategic oversight is provided by the existing Strategic Partnership Boards for Amey, Opportunity Peterborough, Skanska and Serco 3) Reporting is also undertaken to the relevant scrutiny committees</p>	John Harrison/ Simon Machen	Ongoing	Sep-16		

Likelihood

5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5

Review 12 months
Review 6 months
Review 3 months

Impact

Likelihood & Impact Descriptors:		
1: Negligible		Little likelihood of risk occurring except in exceptional circumstances
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
2: Low		Unlikely to occur in next 10 years
	Service Interruption	Minor disruption
	Objectives/Projects	Minor slippage
	Financial	£10k-£25k
	Compliance	Low-level non-compliance
	Reputational	Local media - short term coverage
	Environmental	Minor impact
3: Moderate		Reasonable chance of occurring in next 5 years
	Service Interruption	Some operations compromised
	Objectives/Projects	Reduction in scope or quality
	Financial	£25k-£100k
	Compliance	Non-compliance with core standards
	Reputational	Local media - long term coverage
	Environmental	Short term, medium impact
4: Significant		Likely to occur more than once in next 12 months
	Service Interruption	All or most operations compromised
	Objectives/Projects	Failure to meet secondary objectives
	Financial	£100k-£500k
	Compliance	Major non-compliance
	Reputational	Extensive local, short-term national coverage
	Environmental	Significant impact - possible long-term effects
5: Very High		More likely to occur than not at least once in next 12 months
	Service Interruption	sustained or permanent loss of core service
	Objectives/Projects	failure to meet primary objectives
	Financial	£500k +
	Compliance	serious breach of compliance - potential prosecution
	Reputational	Long-term national coverage
	Environmental	Long-term impact

Risk Categories

- Strategic:** Risks affecting medium-long term goals. Project risks, governance etc
- Operational:** Events affecting service provision. Staff shortage, physical damage, ICT etc
- Financial:** Events with a financial/budgetary impact
- Compliance:** Risks threatening compliance with standards, laws and regulations etc
- Reputation:** Affecting public perception about the organisation, staff morale, stakeholder interest etc.
- Environmental:** Events with an environmental impact.

What is a risk?

A risk is an event which can affect the achievement of objectives. Risks can have negative or positive outcomes.

The Risk Management Process:

Identify Objectives. What are we trying to achieve?

Identify risks: Use past history, near misses, emergent events etc which could impact upon the objective(s)

What is the likelihood of the event occurring?

What are the consequences of the event occurring? Potential threats and/or opportunities

What is the preferred response? One or more of the following:

Tolerate: If the current risk level is acceptable

Transfer: Outsource, Insure etc

Terminate: Cease the activity that gives rise to the risk (not usually practicable)

Treat: Actions and controls to mitigate the likelihood and/or impact

Take the Opportunity: How to maximise any potential benefits

Who is responsible?

What are the required actions?

Is there a target score or end date?

What is the date of next review?



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Risk Management Policy

Peterborough City Council

Purpose: To provide clear evidence of the effective operation of a Risk Management Policy and the organisations role in implementing the process.

RISK MANAGEMENT POLICY

Document Control

Title:	Peterborough City Council Risk Management Policy			
Synopsis:	This document outlines the effective operation of a Risk Management Policy and the organisations implementation of the process.			
Status:	Final v4.8			
Date:	September 2015			
Document Owner(s):	Corporate Management Team (CMT)			
Author(s):	Kevin Dawson			
Change Control:	Version ID	Date of Issue	Change Description	Author
	0.1	Oct 2012		Kevin Dawson
	0.2	19 Oct 2012	Consultation with Internal Audit	Kevin Dawson
	0.3	5 Nov 2012	Consultation with Audit Committee	Kevin Dawson
	0.4	10 June 2013	Revisions following discussions with C Exec & Operations director	Kevin Dawson
	0.5	20 May 2014	Revisions following Zurich review	Kevin Dawson
	0.6	30 Dec 2014	Revisions to incorporate PCC annual statement of risk appetite	Kevin Dawson
	0.7	31 March 2015	Risk Appetite statement added as Appendix D.	Kevin Dawson
	0.8	2 Sept 2015	Risk appetite statement following review of Corporate Risk Register	Kevin Dawson

Version ID	Date of Submission	Submitted to	Approval and Sign Off
1.0	13 November 2012	CMT	Not signed off and further discussions to be held with Chief Executive
2.0	11 June 2013	CMT for approval	09 July 2013 Kevin Dawson
3.0	20 May 2014	CMT for approval	27 May 2014 CMT members
4.0	31 March 2015	CMT for approval	31 st March 2015 CMT Members

Introduction

This document sets out the risk management policy for Peterborough City Council.

Risk Management Vision

Peterborough City Council is committed to effective risk management arrangements as a means of supporting the achievement of the Council's strategic objectives.

The risk management vision is to consolidate and improve our risk management arrangements to bring the following benefits:

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

Risk Management Principles

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

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

Risk Management Framework

The Council's Risk Management Framework is described below and shown in the diagram in **Appendix A** (Risk Management flowchart). The Process sets out the overall arrangements for the operation of risk management at Peterborough; it therefore encapsulates the risk strategy of the organisation. An action plan will be put in place to ensure that this strategy is delivered, and this will be monitored by Audit Committee.

The Council is working towards greater synergy between Risk Management and Planning and Performance Management arrangements to assess performance in terms of its compliance with the organisations risk appetite.

The internal audit team provides assurance on the adequacy of Risk Management arrangements to the Audit and Accounts Committee, as shown in Appendix C (attachment required).

The table below sets out the framework and the expectations of its key elements:

Organisational Risk Management Arrangements	
<i>Element</i>	<i>Peterborough's expectation</i>
Cabinet	<ul style="list-style-type: none"> • Considers risk in its planning decisions; • Sets the overall risk appetite for the organisation; • Monitors the performance of management in mitigating strategic risks; • Makes decisions with due regard to risk considerations.
Lead Member for Risk Management	<ul style="list-style-type: none"> • Champions the operation of effective risk management operations at Council.
Scrutiny	<ul style="list-style-type: none"> • Holds Members and Officers to account for effectiveness of risk management in decision making and achievement of objectives
Corporate Management Team (CMT)	<ul style="list-style-type: none"> • Owns and leads the corporate risk management process; • Reviews and challenges the Corporate Risk Register on a quarterly basis; • Receives urgent risk reports as necessary • Individually, arranges for quarterly review of Directorate level risk registers.
Lead Officer for Risk Management	<ul style="list-style-type: none"> • Acts as a champion for risk management within the organisation
Members of Corporate Management Team	<ul style="list-style-type: none"> • Review and challenge their respective risk registers on a quarterly basis and more often if appropriate.
Risk Owners	<ul style="list-style-type: none"> • Accountable for determining and implementing the action required to manage risks and opportunities; • Review and report on effectiveness of actions on a quarterly basis.
Project and Programme Sponsors, Procurement leads. (Business Transformation)	<ul style="list-style-type: none"> • Ensure risk registers are used to record and manage risk at programme and project level; • Ensure risks are escalated into the corporate risk management process as necessary
Managers/Heads of Service	<ul style="list-style-type: none"> • Are alert to risks arising from business as usual and manage and escalate these as necessary.

RISK MANAGEMENT POLICY

Risk Management support, guidance, challenge, policy and strategy, co-ordination	
<i>Element</i>	<i>Peterborough's expectation</i>
Resilience Service	<ul style="list-style-type: none"> • Implements the overall risk management strategy and approach, in consultation with key stakeholders; • Works to increase awareness of the importance of risk management; • Supports the risk escalation and reporting process, in particular the Corporate Risk Register; • Maintains an oversight of risk issues across the organisation, reviewing, challenging and identifying trends and advising CMT accordingly.
Audit Committee	<ul style="list-style-type: none"> • Oversees the implementation of the organisation's risk management strategy; • Acts as a communication and challenge mechanism for risk issues across the organisation, reviewing, challenging and identifying trends and advising Executive / Corporate Directorate Management Teams accordingly; • Review and challenge Service and Corporate Directorate risk registers on a rotational basis.
Risk Group	<ul style="list-style-type: none"> • Co-ordinate and implement the Service / Corporate Directorate risk management strategy in line with the overall organisational approach; • Work to increase awareness of the importance of risk management across their area; • Support the risk escalation and reporting process, in particular, maintain and update the Service and Corporate Directorate Risk Registers; • Monitor and report on any necessary action to implement risk control measures. • Challenge and support managers to ensure the effectiveness of the risk management process in their area.

Assurance, oversight, policy & strategy approval	
<i>Element</i>	<i>Peterborough's expectation</i>
Audit Committee	<ul style="list-style-type: none"> • Oversee the risk management arrangements in place within the organisation • Monitor the effectiveness of risk management processes and culture; • Holds managers to account for risk mitigation work;
Internal Audit	<ul style="list-style-type: none"> • Uses intelligence on risk to inform the audit planning approach; • Gives assurance on the effective management of risk to senior managers, the Audit and Accounts Committee and other bodies as necessary. • Examination of corporate risk registers as part of the planning during the audit process

The Risk Management Process

Risk identification, assessment and recording

At whichever level it is operated, the standard risk management process involves four key stages:

- Identify key risks: use the standard risk register template to record these; use the risk category prompts/service plans to assist the identification of risk;
- Analyse the risk to assess the likelihood of it occurring and the impact should it occur using the standard corporate impact and likelihood criteria (if appropriate these can be modified in discussion with the Business Transformation Team); use the standard risk register to record this;
- Take action to control the risk; contingency plan for risk exposure/occurrence; record details in the standard risk register template.
- Review and report upon progress on a quarterly basis.

Risks can be identified, assessed and included on the appropriate risk register at any time in the year.

Risk Registers

The Council adopts a consistent approach to risk registers:

- They are owned and maintained at the following levels:
 - At CMT and Executive Directorate level (each Corporate Managerial Team member therefore having a risk register)
 - For projects and programmes, in line with guidance provided by the Business Transformation Team
 - For significant value contracts above European Union thresholds
 - For any other area identified as necessary as approved by Cabinet, for example, for a financial recovery plan.
- They are held on a universal spreadsheet template (**Appendix C**) using the corporate risk scoring approach.

Escalation of Risks

Where it is considered that a risk cannot be effectively mitigated by a risk owner it will be important to escalate this up the risk hierarchy as shown in **Appendix B** (Risk Management Process).

Risk Appetite

The risk appetite is the level of likelihood/impact, whether it is stated financially or otherwise, above which it is judged that a risk requires direct and urgent management action (please refer to Appendix D). To determine the risk appetite consider:

- capacity to manage the risk should it occur;
- potential impacts upon service delivery and financial resources;
- capacity to take action to reduce / remove the risk;
- the effect that managing one risk may have on another.

The corporate risk appetite applies to Corporate Management Team level risks and to Strategic Risks and is applied at all times. The corporate risk appetite is set by CMT by the approval of the council's

RISK MANAGEMENT POLICY

annual statement of risk appetite which confirms the appropriate level of risk that the Council is willing to take in order to achieve its desired aims and objectives.

Risk Review and Reporting

Departmental Risk Registers will be reviewed by individual DMT's on a quarterly basis and more often if appropriate. After this review the Risk Group will meet to share updates on the development of risks and of mitigating action. Based on this discussion the Lead Officer will prepare an update report for CMT which will then be used to inform the quarterly review of the Corporate Risk Register. The report will cover:

- Progress of risk management action plans
- Risks managed down to acceptable levels
- Significant emerging risks, their severity/likelihood score and what action is to be taken.
- Project risks impacting on both Strategic and Departmental Risk Registers

The Corporate Risk Register will be updated as necessary by CMT and departmental risk register holders will be advised accordingly.

Areas for Review and Development

Role of Risk Group	<ul style="list-style-type: none">• Ensure that the team acts successfully to challenge and support risk management and to identify key issues for escalation
Risk Reporting	<ul style="list-style-type: none">• Assessing the opportunities for reviewing Service Plans/VERTO project management system for risk reporting
Standardisation and consistency	<ul style="list-style-type: none">• Ensuring the quality of risk registers included quality of risk description
Ensuring action to mitigate risks	<ul style="list-style-type: none">• Review the management action arrangements
Embedding risk management into key business processes	<ul style="list-style-type: none">• Ensuring risks are considered as part of integrated planning and performance reporting• Ensuring risks relating to decisions are clearly presented
Promote the updated approach	<ul style="list-style-type: none">• Approval by CMT; visits to DMTs; support and advice
Role of Members	<ul style="list-style-type: none">• Offering training aimed at ensuring members understand the risk management process and expectations upon officers

Appendices

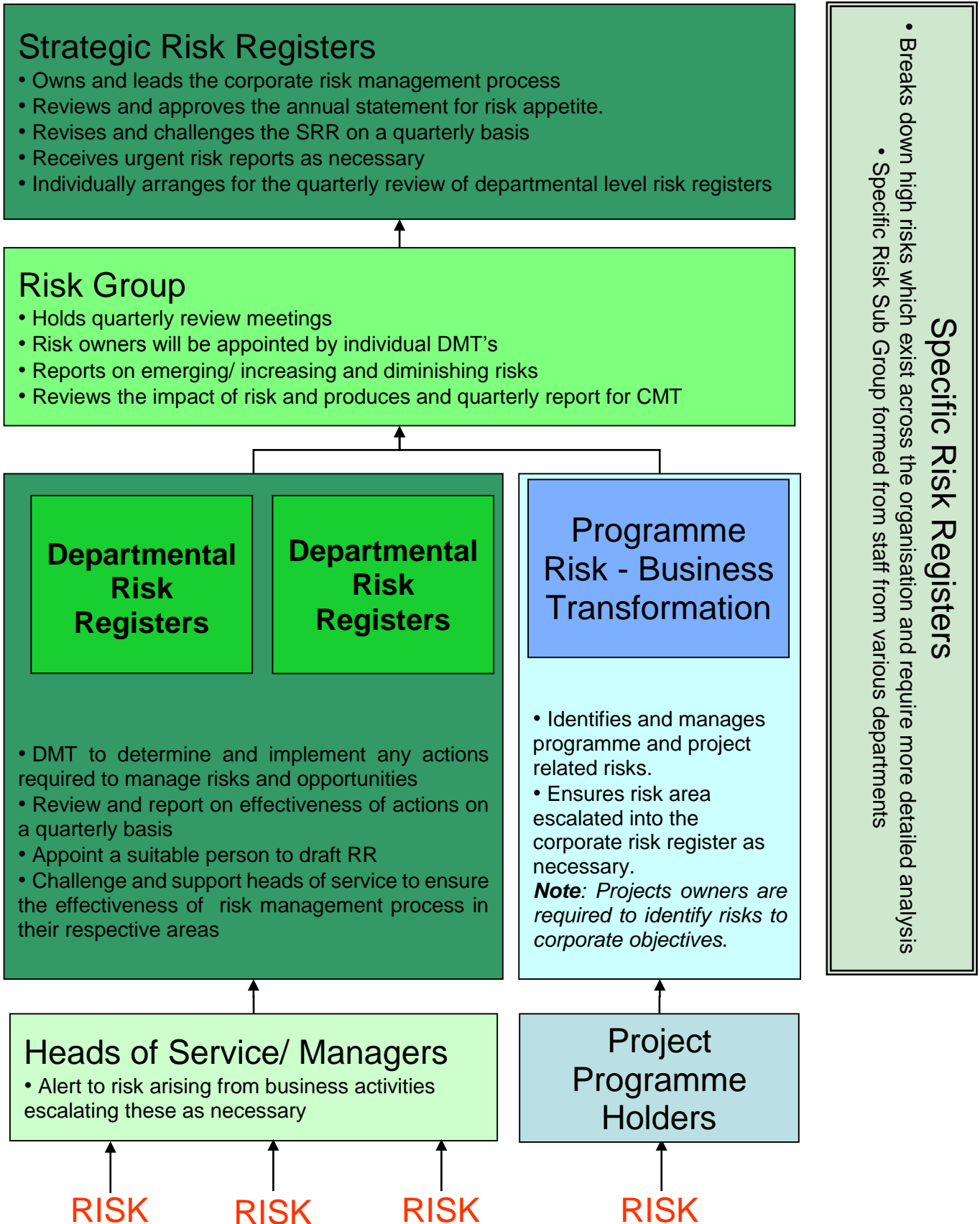
Appendix A: Risk Management Framework

Appendix B: Risk Management Process

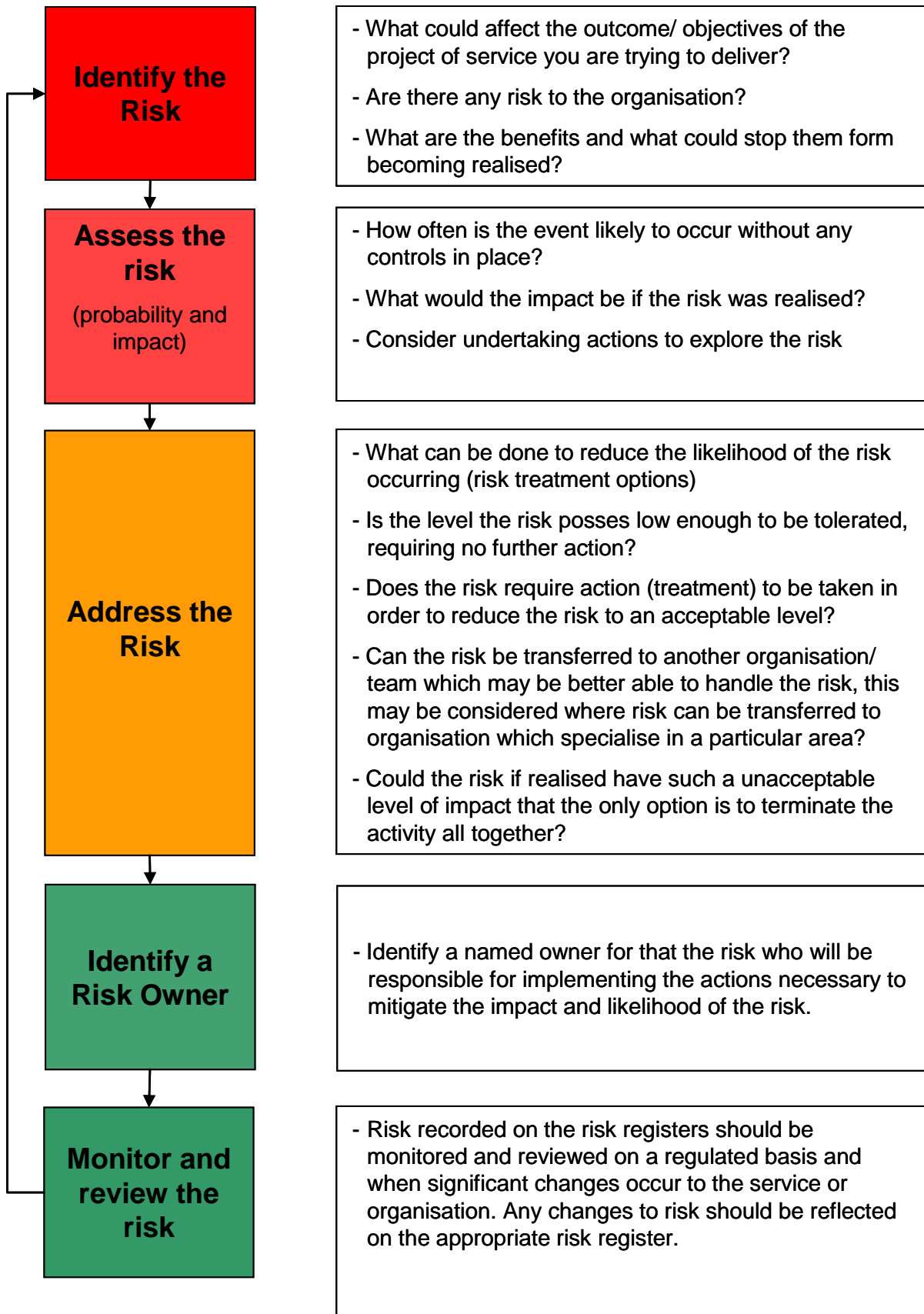
Appendix C: Example Risk Register and Risk Matrix

Appendix D: Risk Appetite Statement

Appendix A: Risk Management Framework



Appendix B: Risk Management Process



Appendix C: Example Risk Register and Risk Matrix

Ref	Risk	Description	Consequences	Priority	L	I	Current Score	Previous/Initial Score	Direction	Reasons for change	Current Controls	Actions	Who	When	Review Date	Remarks
	name of risk	brief description of risk event	threats & opportunities arising	A Educ B Cult C Safg D Com E Evt F Grow	Likelihood 1 (L) - 5 (H)	Impact 1 (L) - 5 (H)		if new risk, score on assumption no controls are in place		change in impact, likelihood, objective etc (ALT return to use bullet points etc)	to measure success of controls. What is already in place to mitigate risk. (ALT return to use bullet points etc)	further actions required to mitigate risk or maximise opportunity. (ALT Return to use bullet points etc)	officer(s) responsible	target date	all registers reviewed at least 3 months unless specified	any other comments etc
	Winter gritting	Insufficient budget available based on last year's experience	Reputational damage; increased potential for traffic incidents; increased claims against council etc		5	4	20	0	◀▶		Capacity bid put forward Sept 2010 to increase budget to cover estimated number of runs	Review gritting programme each week throughout winter period. Provide information to finance in relation to likely overspend				

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Risk Matrix

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
	Impact					

Risk Categories

Review 12 months
Review 6 months
Review 3 months

- Strategic:** Risks affecting medium-long term goals. Project risks, governance etc
- Operational:** Events affecting service provision. Staff shortage, physical damage, ICT etc
- Financial:** Events with a financial/budgetary impact
- Compliance:** Risks threatening compliance with standards, laws and regulations etc
- Reputation:** Affecting public perception about the organisation, staff morale, stakeholder interest etc.
- Environmental:** Events with an environmental impact.

RISK MANAGEMENT POLICY

Likelihood and Impact Descriptors

1: Negligible		Little likelihood of risk occurring except in exceptional circumstances
	Service Interruption	None noticeable
	Objectives/Projects	Insignificant slippage
	Financial	up to £10k
	Compliance	Minor non-compliance
	Reputational	Internal PCC only
	Environmental	No noticeable impact
2: Low		Unlikely to occur in next 10 years
	Service Interruption	Minor disruption
	Objectives/Projects	Minor slippage
	Financial	£10k-£25k
	Compliance	Low-level non-compliance
	Reputational	Local media - short term coverage
	Environmental	Minor impact
3: Moderate		Reasonable chance of occurring in next 5 years
	Service Interruption	Some operations compromised
	Objectives/Projects	Reduction in scope or quality
	Financial	£25k-£100k
	Compliance	Non-compliance with core standards
	Reputational	Local media - long term coverage
	Environmental	Short term, medium impact
4: Significant		Likely to occur more than once in next 12 months
	Service Interruption	All or most operations compromised
	Objectives/Projects	Failure to meet secondary objectives
	Financial	£100k-£500k
	Compliance	Major non-compliance
	Reputational	Extensive local, short-term national coverage
	Environmental	Significant impact - possible long-term effects
5: Very High		More likely to occur than not at least once in next 12 months
	Service Interruption	sustained or permanent loss of core service
	Objectives/Projects	failure to meet primary objectives
	Financial	£500k +
	Compliance	serious breach of compliance - potential prosecution
	Reputational	Long-term national coverage
	Environmental	Long-term impact

Appendix D: Risk Appetite Statement

Introduction and Background

The Council's annual statement of risk appetite has been drawn up to provide management with sufficient guidance on the level of risk they are legitimately able to take. The statement aims to ensure that managers do not stifle creativity or opportunities by being too risk adverse while also ensuring that managers do not take an unacceptable level of risk which may significantly harm the organisation. The statement also aims to clearly and fully state to our stakeholders the nature and extent of the key risks the council is willing to embrace as part of the delivery of the corporate plan.

It is intended that CMT review and approve the Councils risk appetite statement on an annual basis to set the appropriate level of risk that the council is willing to take in order to achieve its desired aims and objectives.

This statement of risk appetite should be read in conjunction with the PCC Risk Management Policy available on Insite which is also reviewed at least annually. It is important to note that the risk appetite level indicates the level of risk the council is prepared to accept after mitigation actions have been taken e.g. the residual or net risk exposure during the year.

The risk appetite statement is an important aspect of managing risk at Peterborough City Council because it sets corporate boundaries for the level of risk the organisation is willing to take. It should be noted that some risks are outside of the authority's control; this is especially true for Local Government where statutory requirements need to be fulfilled. Whilst it is accepted that it may not be possible to prevent such risks occurring, it is expected that contingency plans/strategies are put in place to minimise/plan for any impact

Definition of Risk Appetite

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

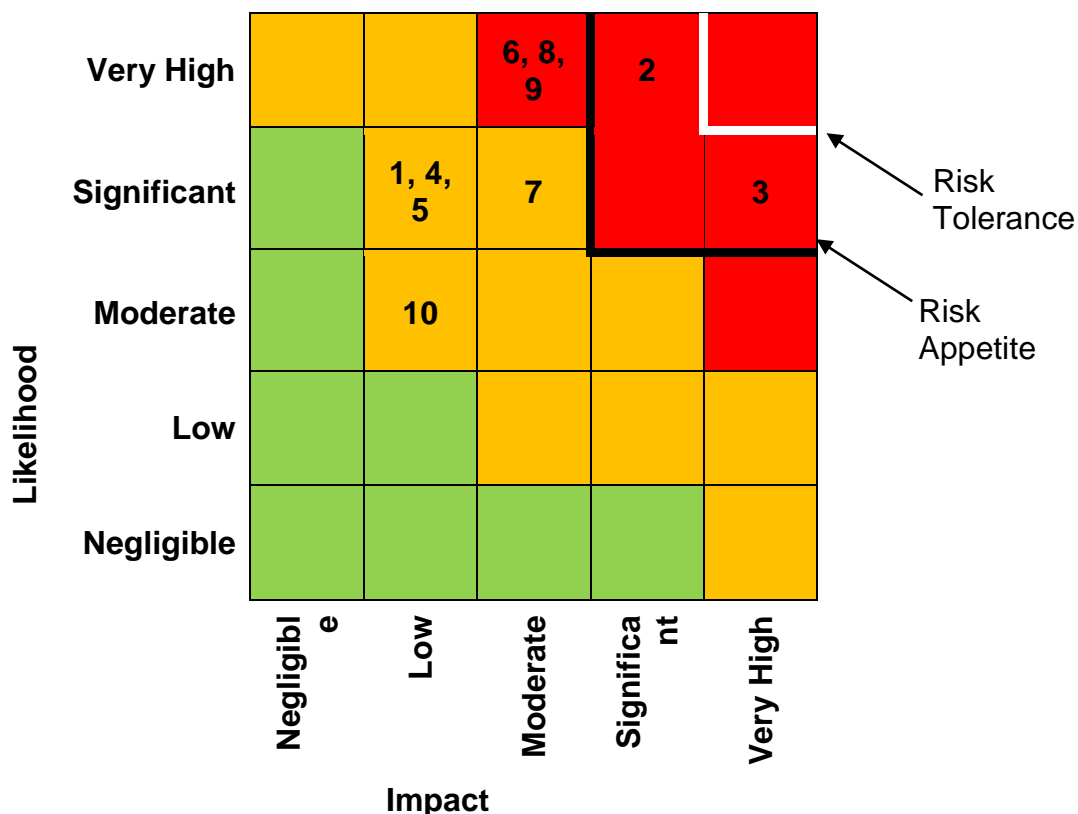
For the purposes of this document the follow definition will be used to define risk appetite:

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

Source: British Standard on Risk Management BS31100 2008.

Risk Appetite Matrix

The following matrix shows the risk appetite and the risk tolerance for Peterborough City Council. All 10 of the risks outlined in the Strategic Risk Register have been plotted on the matrix. The thick black line represents the risk appetite and any risk below this line is deemed acceptable. The thick white line represents the risk tolerance and any risk above this line will not be tolerated. Risks that fall in between these lines are undesirable but tolerable.



Risk Appetite Statement 2014/15

Current Risk Appetite Classification: Open (4) / Hungry (5)
Target Risk Appetite Classification: Cautious (3) / Open (4)

Note: Appendix A outlines the framework for classifying risk appetite and defines clearly each classification.

- Risks that fall below the risk appetite line will be accepted by Peterborough City Council but they should still be regularly monitored and mitigated to their target exposure level.
- Risks which are assessed that fall above the risk appetite line but under the risk tolerance line are undesirable, but will be tolerated. These risks will require immediate and urgent management to reduce their risk to an acceptable level i.e. below the risk appetite line.
- Risks which fall above the risk tolerance line are unacceptable and must be immediately terminated or transfer the Council’s involvement in these risks.
- There are certain risks however which may be forced upon Peterborough City Council and therefore cannot use internal controls to manage the risk so these will have to be tolerated. An example of this would be changes in the socio/economic political environment. However, contingency plans and strategies should still be developed and introduced in a bid to lessen the impact.

RISK MANAGEMENT POLICY

Classifications of Risk Appetite	1 Averse	2 Minimalist	3 Curious	4 Open	5 Hungry
		<i>Avoidance of risk and uncertainty is a key Organisational objective</i>	<i>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward</i>	<i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	<i>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)</i>
Category of risk	Example behaviours when taking key decisions ...				
Reputation and credibility	<ul style="list-style-type: none"> Minimal tolerance for any decisions that could lead to scrutiny of the Government or the Department 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is no change of any significant repercussion for the Government or the Department 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Government or the Department should there be a failure. 	<ul style="list-style-type: none"> Appetite to take decisions with potential to expose the Government or Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure. 	<ul style="list-style-type: none"> Appetite to take decisions that are likely to bring scrutiny of the Government or Department but where potential benefits outweigh the risks
Operational and policy delivery	<ul style="list-style-type: none"> Defensive approach to objectives – aim to maintain or protect, rather than create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. General avoidance of systems/ technology developments 	<ul style="list-style-type: none"> Innovations always avoided unless essential. Decision making authority held by senior management. Only essential systems/ technology developments to protect current operations. 	<ul style="list-style-type: none"> Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems/ technology developments limited to protection of current operations 	<ul style="list-style-type: none"> Innovation supported, with demonstration of commensurate improvements in management controls. Systems/technology developments considered to enable operations delivery. 	<ul style="list-style-type: none"> Innovation pursued-desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust

RISK MANAGEMENT POLICY

				<ul style="list-style-type: none"> Responsibility for non-critical decisions may be devolved. 	rather than tight control.
Financial/VfM	<ul style="list-style-type: none"> Avoidance of financial loss is a key objective Only willing to accept the low cost option Resources withdrawn from non-essential activities 	<ul style="list-style-type: none"> Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern. 	<ul style="list-style-type: none"> Prepared to accept the possibility of some limited financial loss. VfM still the primary concern but willing to also consider the benefits. Resources generally restricted to core operational targets. 	<ul style="list-style-type: none"> Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities. 	<ul style="list-style-type: none"> Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return – ‘investment capital’ type approach.
Compliance – legal/ regulatory	<ul style="list-style-type: none"> Avoid anything which could be challenged, even unsuccessfully. Play safe. 	<ul style="list-style-type: none"> Want to be very sure we would win any challenge. 	<ul style="list-style-type: none"> Limited tolerance for sticking our neck out. 	<ul style="list-style-type: none"> Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences. 	<ul style="list-style-type: none"> Chances of losing are high and consequences are serious. But a win would be seen as a great coup.

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AUDIT COMMITTEE	AGENDA ITEM No. 8
22 SEPTEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 452233

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 2016 - APRIL 2017

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Draft Statement of Accounts For The Year Ended 31 March 2016	To provide further detail in regards to the non distributed costs outlined for pensions costs within the report.	Steven Pilsworth	Briefing note attached to the feedback on actions report.	29 June 2016	25 August 2016
Investigations Team Annual Report 2015/2016	To provide regular updates to the Audit Committee in regards to the resources position for the Audit and Investigations Teams.	Steve Crabtree	Ongoing	29 June 2016	
Draft Annual Governance Statement	To circulate the full report considered by the Cabinet at its meeting held on 7 December 2015, which outlined the MOWG's review of PCC's ethical investment and procurement.	Steven Crabtree/Steven Pilsworth	The report can be accessed as follows: http://democracy.peterborough.gov.uk/documents/s25706/5.%20Peterborough%20City%20Council%20Procurement%20Strategy.pdf	29 June 2016	8 September 2016

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RESPONSE TO ACTION POINT

AUDIT COMMITTEE	
22 SEPTEMBER 2016	PUBLIC

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

ACTION POINT – 29 June 2016		
To provide further detail in regards to the non distributed costs outlined for pensions costs.		
Contact Officer (s)	<i>Steven Pilsworth</i>	<i>Enter contact details</i>
Response:		
1.1	The Comprehensive Income & Expenditure Statement in Council's Statement of Accounts shows net expenditure analysed by services as laid down in the Service Reporting Code of Practice (SeRCOP). This is different to the Council's organisational structure. One of the headings required in the analysis under SeRCOP is 'Non Distributed Costs', which has strict rules as to what can be classified in this category. For the Council, the only costs which use this heading relate to retirement benefits for 'past service costs' and 'gains and losses on settlements'. Further information on these two costs can be found in the detailed Pension note (Note 7, pages 21 – 25 of the report)	

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AUDIT COMMITTEE	AGENDA ITEM No. 9
22 SEPTEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services 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.

DATE: 29 JUNE 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2016.
	Investigations Team Annual Report 2015 / 2016	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 2016
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2016
	Budget Monitoring Report Final Outturn 2015 / 2016	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2016
	Draft Statement of Accounts 2015 / 2016	Finance Steven Pilsworth	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2016
	Audit Plan	EY	To receive the Audit Plan from EY, to review their proposed approach and scope for the 2015/16 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	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	Draft Work Programme 2016 / 2017	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: 22 SEPTEMBER 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	Governance Kevin Dawson	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Audit of Statement of Accounts To Those Charged with Governance (ISA260)	Finance Steven Pilsworth & EY	To receive the final Statement of Accounts for the year ended 31 March 2016 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000	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 2016 / 2017	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: 21 NOVEMBER 2016			
		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 2016 / 2017	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: 13 FEBRUARY 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Karen Dunleavy	
	External Audit: Annual Audit Letter and Other External Reports.	EY	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 2016 / 2017	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: 27 MARCH 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive an update on the strategic risks for the Council
	Internal Audit: Draft Internal Audit Plan 2017 / 2018	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2017 / 2018
	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 2017 / 2018	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)

To be rescheduled:			
		Section / Lead	Description